CREDIT AND

# FINANCIAL MANAGEMENT


Field Warehousing as Users See It

Instalment Financing Market Expands

Character: Basic Credit Determinant

The Governor Signs

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MAY 1960

NUMBER 5

VOLUME 62

# *Editor's Mail*

**"Amazing Results"**

"We have used the "Number One" letter for collections which appeared in "CREDIT AND FINANCIAL MANAGEMENT", February issue, page 18. (Article by Kenneth J. Forshee, general credit manager, Pacific Coast Branch, National Lead Company, San Francisco—Ed.).

"We have had amazing results. As an experiment we mailed out this letter to 12 of our customers. Out of 12, eight paid. We had a couple calls from these customers thanking us for writing such a nice letter. These accounts were at least four months past due.

"Because of the wonderful results, we are wondering if you have follow-up letters which we could use on the few who do not pay."

MRS. E. S. TOMLINSON
*Accounting Department, Marsh & McLennan, Inc., Duluth, Minn.*

**Keeping Executives Advised**

"Each month I look forward to receiving the national magazine. I feel that the staff are doing a very excellent job keeping the credit executive fully advised as to developments and technics and actual experiences."

A. H. HANSSEN
*Controller, Davison Chemical Company, Baltimore, Md.*

**Worth the Time**

"I find it difficult to squeeze out enough time from my schedule to read most of the publications that cross my desk. However, your splendid magazine has always proved worth the time taken."

ALLEN TERRY
*Credit Manager, Intermountain Concrete Specialties, Salt Lake City, Utah*

**Carries Good Ideas**

"CREDIT AND FINANCIAL MANAGEMENT carries many good ideas and current news of the credit profession. I read it with pleasure and interest."

A. B. CONNELL
*Director of Credits, Deere & Company, Moline, Ill.*

# EDITORIAL

## Inflation—Causes and Effects

WHILE I definitely believe that we shall continue to experience inflationary conditions, I am optimistic in belief that people are becoming educated to the causes and the adverse effects which inflation produces for most individuals and the nation as a whole.

We have experienced a long twenty-year inflationary spiral. Living with it and studying its evils compel a study of its causes. Once these causes are pinpointed, we may begin to work on a cure.

We all agree that war and its aftermath constitute one real type of inflation. World War II generated high consumer income, huge supplies of bank credit and a long list of shortages, in both consumer goods and industrial and Government needs. It was inevitable that after the war there would be a substantially increased demand for all types of goods. This demand was accentuated by the ensuing "cold war", and the Korean War.

An entirely different cause of inflation continued the spiral in the late 1950's. There were no shortages of goods, no excess of bank credit, yet prices rose. Many factors contributed, but the primary cause was increase in costs and hence in prices. This was directly due to labor cost increases in excess of productivity increases.

Some industries became careless in cost control while enjoying a continuous seller's market. Others, faced with inflationary wage increases, raised prices more than the higher costs justified. Finally, there were the additional costs of labor featherbedding, increased taxes and general inefficiency.

*Without endeavoring to place the blame on individuals or groups, it is essential to economic stability that everyone in industry become cost-conscious. Management must be constantly alert to increase efficiency. Labor must hold wage increases within the limits of average national productivity gains.*

It is a fallacy to hold that inflation is the price of economic growth. Growth comes from enterprise, research, investment and innovation. Monetary manipulation will not help it, and may hinder it. Wealth without work is just an idle dream. Work without the backing of capital is impossible. Capital investment is fully as necessary as labor. Put capital to work and there is work for hands.

If the Soviets, or any other nation, ever surpass American industrial production, it will not be because of a superior economic or industrial system, but because they have greater sense of dedication, patriotism and willingness to view and consider what is best for the nation, rather than what is best at the moment for the individual.

The prospect of economic growth in America is greater now than at any time in our history, providing we get back to some of that old-fashioned American ingenuity and ambition to embrace the common good of mutual benefits between employer and employee.

Edwin B. Moran

EXECUTIVE VICE PRESIDENT

## THE MAY COVER

As proposed laws affecting credit come before State legislatures or the Congress, credit executives are being called on more and more by their lawmakers for such background information as will help them understand how such legislation would affect credit grantors and the credit-buying public.

A notable instance of such cooperation is the Georgia legislature's recent enactment of a bill to prohibit credit card abuses. The bill, Senate Bill No. 169, was adopted by the legislators after numerous conferences with members of the Georgia Association of Credit Management, Inc. It was signed into law by Governor S. Ernest Vandiver on March 17, 1960.

From left to right the individuals in the


front cover picture are Jasper C. Osborne, president of the Georgia Association of Credit Management, Inc., and vice president of Trust Company of Georgia; Governor Vandiver (signing the bill); Jack C. Hodgkins, executive manager-secretary, Georgia Association of Credit Management, Inc.; and Lee T. Kendrick, division credit manager of Gulf Oil Corporation, past director of the American Petroleum Credit Association and now chairman of its credit reports committee, and past president, director and legislative committee chairman of the Georgia Association.

The key section of the law is Section 2, which is as follows:

"Any person who knowingly uses for the purpose of obtaining credit, or for the purchase of goods, property or services, (1) a credit card which has not been issued to such person and which is not used with the consent of the person to whom issued or (2) a credit card which has been revoked or cancelled by the issuer of such card and notice thereof has been given to such person, or (3) a credit card which has expired or (4) a credit card which is false, fictitious or counterfeit is guilty of a misdemeanor and punishable by a fine of not more than one hundred dollars ($100.00) or imprisonment for not more than thirty (30) days if the amount of the credit or purchase obtained by such use does not exceed fifty dollars ($50.00) or by both such fine and imprisonment, or by a fine of not less than one hundred dollars ($100.00) nor more than five hundred dollars ($500.00) or imprisonment for not more than one (1) year if the aggregate amount of the credit or purchase obtained by such use exceeds fifty dollars ($50.00), or by both such fine and imprisonment."


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## IN THIS ISSUE




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# Washington

PROMOTION of exports, rather than curtailment of imports, to remedy the large deficits in U.S. international accounts, is the objective of an Administration drive under which the Export-Import Bank is launching a new program of export guaranties to offset political risks for credits not in excess of 180 days. Greater cooperation with commercial banks is also planned for medium term credit.

Contrary to previous years, the surplus of exports in 1959 failed to cover the outlay for foreign aid, largely for military defense. Imports last year jumped to a record $15.2 billions while exports approximated $16.3 billions.

The Administration move brought mixed reactions. Some saw in it a possible twofold achievement of checking the outflow of gold and reversing the movement of socalled international money toward foreign investments. Others saw the possibility that a score of countries might intensify use of their own credit systems and so heighten the growing competition.

Our imbalance of payments is a "formidable" problem, Robert B. Anderson, secretary of the treasury, declares in an article in *Foreign Affairs*. He foresees a smaller payments deficit this year than in the last two, but still "particularly unsatisfactory" under boom conditions abroad. Final Department of Justice figures show the 1959 deficit $3.7 billions, up $300 millions from 1958. Several favorable factors were offset by an increase of $2 billions in imports.

INCREASE in the world's total export trade in the third quarter of 1959 to an annual rate of $100.6 billions, compared with a $92.657 billion rate the same period of 1958, was noted by the commerce department.

BUSINESS SPENDING for expansion and modernization this year will increase 14 per cent and exceed the $36.9 billion record of 1957, says a new forecast made jointly by the Department of Commerce and the Securities and Exchange Commission. The estimate is for a $36 billion outlay rate the first half of the year, $38 billion in the second half. All industries, according to the report, plan greater expenditures than last year, with manufacturers of durable goods leading the way with 33 per cent increase.

In another report the commerce department saw February retail sales 3 per cent higher than that month last year and in line with normal January to February trends.

Frederick H. Mueller, commerce secretary, called the plant and equipment report "the most revealing economic measurement so far this year."

ESTABLISHMENT of an international compensatory fund to lighten financial pressures on countries that produce primary commodities was proposed by Zulfikar Ali Bhutto, Pakistani minister of commerce, before the United Nations Assembly's economic committee, in New York.

The objective: counterbalance drops in export revenues of nations dependent basically for foreign exchange on their earnings from shipments of raw materials to industrialized countries from which they import manufactured items.

GROWTH of foreign steel manufacture, largely because of U.S. postwar financial aid to free world nations, has sharply reduced our proportion of world production, but this is no threat to the American steel industry provided our manufacturers are alert to matching of foreign output, technological progress and merchandising, Frederick M. Gillies, chairman of Acme Steel Company, told the young men's group of the Chicago Council on Foreign Relations.

Steel imports, at a new high last year, exceeded exports for the first time and totaled 4,392,000 tons. An important factor was the 116-day strike.

FIGURES of the National Association of Purchasing Agents, canvassing the membership, showed January production gains reported by 44 per cent of the agents and new orders 33 per cent above those of the preceding month. Price movement upward was slight.

THE World Bank's first borrowing in the United States market since 1958 was represented by public offering of $100 millions of 5 per cent, 25-year bonds. The World Bank (International Bank for Reconstruction and Development) had a funded debt of $1.989 billions the second half of 1959, an increase of $84.6 millions in the period.

**Indication** that the Federal Reserve System was slightly relaxing the tightness on bank credit and the money market came as banks were given more money for debt repayments or loans to customers. The Federal Reserve also added to its open market purchases of Government securities.

At the same time, William McChesney Martin, Jr., Federal's chairman, told a press conference in Philadelphia that the demand for loans at commercial banks was less than expected at the beginning of the year.

**Congress** has done much to counteract the "erosion" of small business in competition with large corporations, but much remains to be done, especially in tax relief to permit investment for equipment and research, Sen. John J. Sparkman (Dem., Ala.) told members of the National Coat and Suit Industry Recovery Board, meeting at Miami Beach. Senator Sparkman is chairman of the Senate small business committee.

**Sales** by manufacturers increased 13 per cent last year to a record $357 billions — durables up 17 per cent, soft goods 10 per cent—says the Department of Commerce. Inventories rose 6 per cent ($3 billions) to a $52.8 billion total.

**Passing** by 10 per cent the previous top—1957 and 1958—national income last year struck an annual rate of $400 billions for the first time.

High income in most major industries except farming was represented in the preliminary estimate by the office of business economics of the Department of Commerce.

The largest single increase was registered by the more than $20 billion rise in employee earnings, which comprise over two-thirds of the national income, as they did in 1958. The steel strike reduced the rate by $6 billions.

**Increase** of more than 1½ million accounts held by Americans in investment companies at the turn of the year brought the total to 4,554,077, according to the National Association of Investment Companies. All but 278,000 were in mutual funds.

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***OFFICIAL TEXTS — of all mobilization agency regulations may be had, free of charge, by writing the Information Division of the agency involved, Washington 25, D.C.***

***THE FEDERAL REGISTER—a Government daily publication, which contains full texts of all regulations, is available from the Superintendent of Documents, also at Washington 25, D.C.***

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**Election years** being what they are, political roadblocks can be expected against the President's farm program. Mr. Eisenhower told Congress that if it were to write a better program than his he would approve it, even if it meant "more regimentation" for the farmer. His program calls for lower price supports on uncontrolled production in order to combat falling farm income and mounting surpluses.

**Foreign trade** of France increased 28 per cent in the last four months of 1959 over the same period the previous year; her industrial production rose 8 per cent. Trade between France and her overseas areas declined. The increase of exports within the franc zone was one-third as large as the rise in export to foreign countries.

**Expansion** in two-way trans-Atlantic trade should be furthered by the proposed new Atlantic Economic Community, two business groups were assured at meetings in New York.

Spokesmen for the European Common Market, and Reginald Maudling, president of the British Board of Trade, expressed confidence in future developments, in addressing the National Industrial Conference Board. The British Cabinet minister earlier had spoken before members of the British-American Chamber of Commerce.

Mr. Maudling noted that the proposed Atlantic Community, initiated recently at a diplomatic conference in Paris, cleared the air for resolving the differences between the Common Market (six nations) and the Outer Seven bloc, though the nature of the solution was still to be defined.

**Retail sales** increased $15 billions (7.6 per cent) last year to an all-time mark of over $215.6 billions. The last month of the year, while setting a December high and up 2.3 per cent over the record same month in 1958, nevertheless did not show as high volume as had been expected. This was accounted for by the drop of automobile sales under December 1958, which in turn was laid to the steel strike and its cut-down on new cars. The totals are preliminary estimates of the Department of Commerce.

**The** Interstate Commerce Commission has been petitioned by 44 trucking companies and their national organization, the American Trucking Associations, to reconsider its ruling in the New Haven case which, they charge, allows railroads to transport trailers on flatcars without obtaining motor carrier certification and places in the hands of the rail carriers "the complete right to veto all coordinated services between (the rail carriers) and the regulated motor-carrier industry."

# FIELD WAREHOUSING

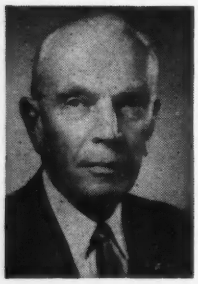
## *Users Emphasize Advantages to Supplier and Customer*

**MANY developments have contributed to the rapid expansion now being experienced by field warehousing. Not new as a system to provide collateral for loans, field warehousing quickened its pace when its application was widened to become an aid in distribution as well as a medium for financing of inventories. The supplier can buy advantageously, can increase inventory, have the right commodities at the right place at the right time, and can free working capital for other uses of the business, a special need of the small company with a growth factor.**

**Bankers, after becoming convinced that field warehousing, when soundly organized and operated, does offer desirable security, now recommend it to their customers, as do companies' credit managers to their accounts.**

**In the following symposium, users of various field warehousing services describe in detail the workings of the systems and the advantages derived.**

## *Bankers Recommend Plan as Sound Approach to Lending*



B. F. EDWARDS, JR.
*Vice President*
Bank of America NT&SA
*San Francisco, California*

TIME was, and not too long ago, when many deserving individuals or businesses were severely handicapped for working capital. Financial responsibility did not justify the banker taking an unsecured exposure and very often the business assets were not of a nature to provide adequate security.

Then came field warehousing and an entirely new vista opened up for both the credit seeker and the bank. True, it took time for the banker to be assured that this new approach to lending was sound and really offered unassailable security if properly set up and documented. Now the bankers nationwide not only recognize this type of security as desirable, but recommend it without hesitation to their clients. Why? For many reasons, some of the most important of which are:

**1) The opportunity to approve credits not otherwise available to customers;**

**2) This type of financing creates a senior position to other creditors provided it represents an outlay of new money;**

**3) A method for orderly repayment of loans, as collateral is sold, is established;**

**4) It provides a definite medium of control over slow-moving or socalled "stale" items of inventory;**

**5) Credit of this nature may be disregarded in arriving at the total unsecured loans that a given bank can legally make available to one borrower.**

There are some disadvantages from the banker's viewpoint. These are, however, largely the added workload on the note department and the possibility that bank personnel may at times feel that warehouse receipts represent a completely riskless type of security.

The borrower, too, sometimes voices some objection when required to borrow against the security of field warehouse receipts. His principal reasons seem to be that the cost of his financing is increased and occasionally that the added work and time consumed are not entirely warranted. That same borrower, however, when confronted with the advantages that would not otherwise be his, normally removes these objections.

### *Some Plus Factors*

At this point it appears appropriate to cover briefly some of the plus factors.

Can you look back to the era preceding the establishment of field warehousing and envision any banker lending money upon the assumption that he had an enforceable security interest in such items as follow, unless he were able to take actual physical possession of them? (And as you read the list you will certainly agree that in most cases physical possession would be an impossibility):

1) Logs either cold decked or in ponds;
2) Propane or butane gas or other petroleum by-products;
3) Hairs from the tails of horses;
4) Canned commodities to be sold months hence;
5) Sheet steel in the open on an unfenced lot;
6) Feed lot cattle;
7) Grain in the warehouse of the borrower; and many other items too numerous to list.

The answer is obviously "No." Yet such loans under

*(Continued on page 30)*

# *Product Available, So More Effective Sales Programs*

RAY P. KETTL, *General Credit Manager*, York Corporation Division, Borg-Warner Corp., York, Pa.

ALTHOUGH the use of field-warehoused commodities as collateral for loans was introduced in the United States many years ago, there has in recent years been a trend toward broadening the application of field warehousing. In addition to making possible the financing of inventories, this service has been used successfully as an aid in distribution.

York Corporation, a subsidiary of Borg-Warner Corporation, has been one of the leading manufacturers in the refrigeration, air conditioning and heating field for the last 75 years. Although large industrial and commercial installations are usually sold direct by the manufacturer, the products referred to as packaged-size equipment are distributed nationally through a network of over 225 franchised distributors.

**As financing is a most important implement in the distribution of products in our economy today, York offers to its distributors a program of financing all packaged products. This facilitates the movement of York equipment to the distributor, from the distributor to his dealers, and from the dealers to retail consumers. An integral part of this program for the last ten years has been the field warehouse receipts plan, which under an agreement with the Lawrence Warehouse Company offers a nationwide field warehousing program.**

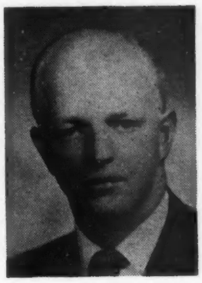
Under this plan any distributor who wishes to use the facilities of the Lawrence Warehouse Company submits a request to York to participate in the program. After approval by York, Lawrence installs a field warehouse at a location selected by the distributor and approved by Lawrence. The field warehouse is usually located on the distributor's premises for purposes of convenience and economy, and Lawrence usually hires one of the distributor's employees to act as its bonded warehouse manager. All equipment purchased under the plan is shipped to the distributor, in care of Lawrence; and, by the terms of an agreement signed by the distributor, the equipment is deposited in the field warehouse and non-negotiable warehouse receipts are issued by Lawrence to the order of York Corporation.

### *Invoiced to Distributor*

Each shipment is invoiced to the distributor, and on its arrival the distributor is required to pay York a 10 per cent down payment on all products except Yorkaire Room Conditioners. Releases from the warehouse are made in accordance with delivery instructions given to Lawrence in advance by York. When the distributor requests the warehouse manager to release products, the unpaid balance due York is payable to York. To assist distributors who qualify, York grants an open line of credit. On the basis of this credit, York authorizes the warehouse manager to waive receipt of immediate payment and release products to the distributor during any

*(Continued on page 30)*

# *Permits Orderly Distribution Of Product with Security*



BAILEY GORDON
*Assistant Vice President*
*in charge of*
*Pittsburgh District Operations*
American Express Field Warehousing Corporation
*Pittsburgh, Pennsylvania*

FIELD WAREHOUSING is the result of a system whereby the warehouse comes directly to the goods stored on the premises—whether it be a manufacturer, processor, wholesaler, or distributor. Through this system the customer secures all the inherent advantages of a public warehouse without the expense or inconvenience of moving the goods and without interference with normal business procedure. Warehouse receipts are issued on the premises and serve as collateral for a secured loan.

Many companies have as much as 75 per cent of their working capital tied up in inventory. This seems definitely to place inventories as the most important single element on the asset side of the balance sheet and a large potential for commercial credit. Yet, surprisingly many businessmen do not realize that this inventory is idle money which can be put to work by means of the simple and inexpensive process called field warehousing.

**What then is the typical company which might obtain credit on field warehouse receipts? The typical company is one that has a high degree of seasonal fluctuation in its working capital requirements, and finds it profitable to expand its working capital beyond the amount provided by the owners, or borrowed on an unsecured basis, by making "bankable" its inventory of raw materials, semi-finished or finished goods. Somewhat less frequent is use by a concern undergoing rapid expansion in the volume of its business operations.**

With the additional working funds obtained through a field warehouse loan the businessman is in a better position to increase his profits. He can obtain a maximum of credit at reasonable rates of interest. He can take advantage of cash and quantity discounts and buy materials at the most advantageous times. This saving alone, in many cases, more than pays for the nominal costs of the service. Worth emphasizing also is the fact that the field warehouse enables him to carry a larger inventory than might be possible through the usual credit arrangements. Very important is the fact that the businessman is in a better position to improve the credit rating of his company.

**Up to comparatively recent years by far the majority of our field warehousing prospects were referred to us by commercial bankers; but now, an increasing number of our prospects is being referred to us either directly or indirectly by creditmen and accountants. This has resulted in a comparatively new innovation in our business—the securing of goods at distributor locations.**

*(Continued on page 33)*

# All Receivables Are Carried On Books of the Supplier

ROBERT M. RALPH
*Assistant to General Manager*
Unitary Equipment Division
Carrier Corporation
*Syracuse, New York*

THE Unitary Equipment Division (UED) of Carrier Corporation markets all its products through distributors and dealers throughout the United States and Canada. The inventory mix is mystifying to those outside the industry and is at best complicated to the initiated. The unit capacity factor alone, with packaged equipment from a ½-ton capacity room air conditioner to a 50-ton roof top unit, becomes further involved with products designed for water-cooled or air-cooled application, combination heating and cooling, straight heating, straight cooling, differing electrical characteristics, and so on.

UED also had the basic problem of maintaining level employment and production in a market where, historically, 60 per cent of its products moved to the consumer in 33 per cent of the year. The obvious answer of pre-season shipments ran head-on into the credit problem of distribution's relative lack of capital to invest in inventory months ahead of its ultimate sale. Deferred datings would help, but control of field inventories was definitely indicated.

**A program of warehouse receipt financing, worked out with Douglas-Guardian Warehouse Corporation in 1951, has operated successfully on both distributor and dealer inventories to date. All the receivables are carried on Carrier's books so the distributor or dealer is not required to obtain a loan from its bank for warehouse receipt inventory.**

After complying with Douglas-Guardian's requirements at the time the warehouse is originally established, a distributor can stipulate Douglas-Guardian terms on his purchase orders to Carrier. No equity payment (down payment) is required.

When shipment is made, the equipment is invoiced to the distributor and legal title is passed to him. The shipping instructions specifically consign the shipment to the Douglas-Guardian bonded representative at the distributor's warehouse location. This controls the movement from Carrier to the secured warehouse position.

### *Shipment Control Maintained in Syracuse*

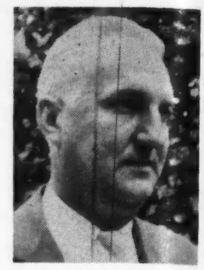
Control is maintained in Syracuse on all shipments into each warehoused inventory based on prior movement experience by equipment model, as well as a reasonable percentage of future anticipated movement. Weekly inventory position reports from the distributor, reflecting actual movement to dealers, keep the inventory control and analysis department closely tuned in.

Each shipment is checked into the warehouse by

*(Continued on page 31)*

# Two Separate Accounts Are Maintained for Distributors

HARRY R. KURTZ
*Manager, Credit and Collections*
Air Conditioning Department
General Electric Company
*Tyler, Texas*



SEVERAL years ago we faced a serious problem in distribution of our air conditioning products. Marketing objectives could be met only by having an adequate stock of our equipment in the hands of independent distributors well in advance of selling seasons. However, under the stress of rapidly expanding sales volume, the financial condition of these distributors did not justify open account credit in sufficient amount to allow for these increased inventories or merit deferred payment terms. A prompt solution was called for and our studies led us to a field warehouse plan as the most practical medium to satisfy both credit and marketing needs.

Our program, as developed in cooperation with New York Terminal Warehouse Company, is designed essentially to assist distributors in financing, on a short term basis, balanced stocks to properly serve their dealers and end-users. The main features of the program can be briefly outlined as follows:

**1. A standard and carefully controlled arrangement is provided for maintenance of complete product line inventories at distributor's own place of business or at his usual storage point.**

**2. Open-account factory credit is placed where it will be most effective; namely, at point of sale by distributor from his warehouse.**

**3. Uniform payment terms are established which are in line with the distributor's sales and collection patterns.**

**4. An accurate monthly report provided by the field warehouse agency to distributor and factory, summarizing the warehouse activity, constitutes a valuable operating device.**

**5. Set-up costs are small; operating costs are far less than ordinary financing expenses.**

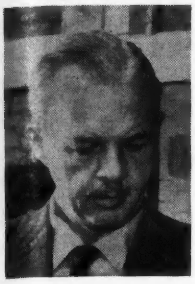
With exception of a down-payment required of the distributor at the time each shipment is received into the field warehouse, our department of General Electric carries the investment under the plan. The warehouse receipts are held as collateral against the distributor's account and no bank or finance company accommodations are utilized. No interest charge is assessed, but each distributor operating with the plan pays the fees of the warehouse agency. The distributor is also responsible for any taxes and is required to have proper insurance coverage.

### *Two Separate Accounts*

Our factory credit section maintains two separate accounts for the distributor: (1) *Warehouse Inventory Account*, secured by warehouse receipts, and (2) *Open Release Account*, which is unsecured. Lines of credit are established for both. The warehouse inventory account

*(Continued on page 32)*

# Processor Finds Warehousing Has Made Expansion Possible



LESTER E. LANG
*Owner and manager*
Lang Metal Service Company
*Glendale, California*

ONE of the great problems of today for small business with a strong growth factor is the *accumulative* need for working capital.

Our company had maintained since 1950 a successive annual growth pattern of 25 per cent to 50 per cent, but last year it skyrocketed to 142 per cent after we became a jobber of high-alloy, aluminum coil sheet for one of the nation's leading aluminum producers.

**Growth of this kind places a particularly heavy strain on working capital in the metals industry. The inherent time lag of delivery and processing stretches working capital to the breaking point. In addition the required comprehensive stock runs counter to the producer's credit policy.**

Discussion with the producer and officials of the Haslett Warehouse Company resulted in the decision that secured credit provided the answer.

Additional types, sizes and quantities of metals were shipped to our company at Glendale and were stored and inventoried in a section of our metal plant, leased from us by Haslett.

This leased area is enclosed by a wire partition, padlocked and clearly identified by signs as Haslett Warehouse Company premises. A Lang employee, Charles Meiklejohn, was hired by Haslett as its representative, responsible for the receiving and delivering of metals into and out of this Haslett area. Mr. Meiklejohn was thoroughly instructed in his duties by Haslett personnel and covered by the company's $2,500,000 blanket fidelity bond.

### *Producer Has Evidence of Title*

The initial physical inventory of this portion of the stock was made by Haslett supervisory personnel, and warehouse receipts were issued to the producer by Haslett. Thus the producer had full evidence of title, with control resting with an experienced, qualified third party —Haslett Warehouse Company.

When our company and the producer agreed on amounts to be maintained as warehouse stock, Haslett was given instructions by the producer as to the terms of delivery of metals under its control. These instructions were then carried out by Haslett, with reports of deliveries submitted weekly to the warehouse receipt holder.

The result is that Lang Metal Service Company has a complete and comprehensive stock available at the point of sale, but without an exorbitant outlay of working capital.

*(Concluded on page 30)*

# Permits Having Product at Right Place at Right Time

HENRY D. BUGG
*Vice President*
St. Louis Terminal Field Warehouse Company
*St. Louis, Missouri*

THE ever present tight money market, and industry's need to have its product at the right place at the right time with a minimum of credit risk, are largely responsible for field warehousing's current phenomenal growth.

It has become increasingly obvious to most manufacturers that if sales are to expand or an established market beachhead is to be held, this can be accomplished only by making certain that the company's distributors have quick access to the factory's complete line—for immediate delivery to the distributor's customer. This simply means that the distributor must have an adequate, well-balanced inventory so that every possible sale can be made.

**Much distributor mortality in past years has been the result of lost profit dollars due to sales not made because of unstocked or "out" items.**

The need for adequate inventories at the distributor level has presented a serious problem. Very few distributors have balance sheets which justify the credit executive in shipping the amount of inventory which a particular area demands. To complicate matters, credit and sales managers often find that the distributor with the fattest bankroll doesn't move the most inventory, and vice versa.

In former years, both the manufacturer and the distributor would look to the distributor's bank to provide funds for working capital, but both have been confronted with the cold fact that bank credit is more elusive than ever, due to unprecedented loan demand, coupled with only a moderate increase in bank deposits.

### *Short-Term Credit Not Enough*

The average distributor actually needs an "equity" or almost-constant type of financial assistance if he is to carry the proper amount of inventory, whereas bank financing, if available, is of short-term duration. Assuming the distributor's financial statement to be on a "competitive par" with other top potential bank borrowers, which is unlikely, the short-term credit offered still doesn't do the job and at best is only of auxiliary value. Manufacturers thus have concluded that the problem of distributor financing is solely their responsibility.

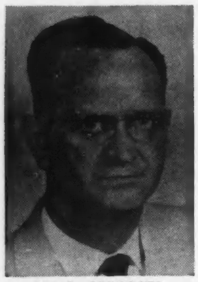
Field warehouses installed on distributor premises have proved to be the popular answer to this manufacturer-distributor adequate-inventory problem. A novelty to many credit men a few years ago, the thousands of

*(Continued on page 32)*

# Return to Recognition of Character as Basic Is Needed in Good Credit Management: Holmes

By **WILLIAM L. HOLMES**
***President***
**National Association of Credit Management**
***Assistant Treasurer***
**Schlumberger Well Surveying Corp.**
***Houston, Texas***

SOME YEARS AGO I had occasion to call on a gentleman who had been in the oil business as a driller and operator of producing wells all of his business life, and at that time was in his 70's. He was a rugged individualist who had grown up in the oil industry and was waging a constant fight against the increasing tendency to have every sort of business transaction covered by a lengthy legal document duly signed and sealed. He was a firm believer that a man of character and integrity should be able to carry on his business by giving his word as to what he would do, and having it accepted on that basis.


W. L. HOLMES

This led to a discussion of the importance of character in business dealings and the fact that a long time ago character was the most important element considered in making a loan or entering into a business agreement. This practice, of having a man's word only, has been used extensively in the drilling business and continues until this very day.

#### *Commitments by Phone*

Drilling for oil or gas wells is a fascinating business. It is one of the few industries left in this country where you can make a fortune almost overnight—and, lose a fortune just as fast. It is not unusual today for commitments for thousands of dollars to be made in a telephone conversation, without anything ever being put into writing. It is a fact that much of the drilling business is carried on by verbal agreements or, at the very most, by a very simple letter contract.

My business life has been spent largely in that atmosphere and in this kind of business, so you can understand the importance that we place on character in accepting credit. To me, it is the most important of the three "C's" of credit appraisal. Character in a sense has created the "C's" of capital and capacity. The quality of the management or the man has generated the capital for the business. Character is the best guaranty that the company has the capacity to continue operating successfully.

Without being too academic, I believe it is sometimes illuminating to look at the root meaning of a word. Character is an old word coined by the Greeks. In its original sense it meant "to make sharp, to cut into furrows, to engrave." It signifies what nature, training, our habits, and our thoughts have made us.

**Sometimes I wonder if the development of character has kept pace with the advancement of science and of technology. Human impulses have remained almost changeless while the world we live in has been transformed. Moral strength and backbone need to be brought up to the level of our increasing intellectual enlightenment and our ever-widening control over physical things. Character does not necessarily mean money or power. We see people of character in our everyday life, among teachers and students, among boss and worker, among neighbors, friends and family. Our true aristocracy is not of blood, fashion, or talent, but of character.**

How do you recognize the features that mark a person of excellent character? First, and perhaps most important, he has learned the ideals and facts of life so that he has acquired principles, and in doing so has set up a code of standards for himself. Principles act as a sort of psychological gyroscope keeping us in balance.

A person of good character is broadminded and tolerant. He waits until the evidence is in before passing judgment. As Allen said in Robert Louis Stevenson's *Kidnapped*, "Them that have nae dipped their hands in any little difficulty should be very mindful of the case of them that have."

#### *Gentleness and Strength*

Gentleness in a society is far more powerful than loudness or force, and far more fruitful. Gentleness is combined with strength and authority in the person of excellent character. We refer to a man as a gentleman, meaning that he has this quality of gentleness.

The person of sound character has not only talent but the power to make his talent trusted. He has dependability. He is not constantly deciding whether he should be honest or not; he is honest by habit and as a matter of course. He does not give promises lightly and he lives up to those promises that he does give.

**Dependability, principles, a code of standards, gentleness, modesty, hum-**

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**WILLIAM L. HOLMES,** ***who is rounding out a year of service to organized credit in the presidency of the National Association of Credit Management, joined Schlumberger Well Surveying Corporation in 1941 and formulated its credit and collection department. In 1950 he added the duties of assistant treasurer to those of general credit manager of the corporation.***

***Mr. Holmes, who attended Arkansas A. & M. and received a degree in business administration from Hendrix College, entered business as a trainee of Arkansas Power and Light Company, went to Houston in the division office of B. F. Goodrich Tire Company, thence to Firestone Tire and Rubber Company, before affiliating with Schlumberger.***

***He is a past president of the Houston Association of Credit Management, Inc. In National he was a director 1951-54 and was made vice president Southern Division in 1955.***

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**bleness—all of these things go into making a man's character. It is not concrete words like money and power that give dignity to character and happiness to individuals, but misty words like honor, love, loyalty, trust, and faith. Certainly a man of character will leave his imprint on his personal life, his business, even his country if he is called upon to be among its leaders.**

All of these things that go into making up a man's character are important to us in credit. We need to recognize early that our customer or our potential customer is a man of character; that the management of the company we are dealing with has character.

In the consumer field there is an increasing trend in this country to accept credit on character. Note the growth of credit cards, which have been used extensively by oil companies for some years and now are available through various companies that specialize in this business for the purchase of almost anything that man desires. Retail stores in recent years have developed revolving credit plans or 90-day charge account plans.

Ten years ago, only a small percentage of the personal loans of a bank were character loans; most were secured by collateral or indorsement. But look at what the banks are doing these days. Many cities have banks that have set up a charge account plan, or some sort of revolving loan plan. So today the greater percentage of a bank's personal loans could be characterized as true character loans. In the consumer field there has been a noticeable trend toward accepting an increasing amount of credit based primarily on the character of the person.

***Character a Factor in Investment***

There is a growing number of people in this country who are investing in companies by purchasing shares in those companies. Any investment we make in a company is enhanced by vigorous management that shows character, that faces up to current market conditions, that sponsors innovations and does an adequate amount of long-range planning. The stock values of that company will reflect management's abil-
*(Continued on following page, col. 1)*

*There is no adequate defense, except stupidity, against the impact of a new idea.*

— **P. W. Bridgman**

ity and its realistic vision. Certainly new capital is more readily attracted to companies led by men of character who win greater public confidence. This suggests the growing importance of the character of the management of companies that favorably influence the public's willingness to risk its own capital by purchasing shares in a business.

Notwithstanding, I believe there has been a tendency to minimize the importance of character in commercial credit granting.

To go back to my friend in the oil business, and the importance of character in credit, you will remember that character was all there was on which to base credit in the beginning of this country. The London merchants who granted the first Plymouth settlers a 7-year loan were dependent primarily on the character of those settlers for repayment of that loan. Hardship and difficulties stretched the final loan pay-off to 25 years, but the loan was made on and paid off through the character of the settlers. A somewhat similar pattern followed the frontier settlers as they moved steadily west and south in the development of this country. For the loans, the financial backing, that those early settlers received were not based so much on what the man had or what his balance sheet might show, but more on the character of that individual and the belief that he would do what he said he would do.

As our country developed, and as our economy developed, it was realized that there was a great need for free exchange of information among businesses accepting credit. Recognition of this need for the free exchange of information was instrumental in causing the formation of the National Association of Credit Management.

**Over the years, however, as business has become more complex, attention has too often shifted to the study of balance sheets and operating statements as the more important element. Government regulations, too, have brought financial figures into greater public view. Sometimes it is easy now to miss the forest for the trees, to look at the financial details rather than at the character of leadership that generates and protects profits and that stimulates the continued growth of business. It is often said that 90 per cent of business failures is caused by human failure. Turning this around, couldn't we say that nine-tenths of business success is human success?**

Certainly, character is even more important in these times of rapid technological changes, growing competition from worldwide markets, and shifting markets inside our own country. Also, with the growth of the corporation to larger units with more men and more specialists, the value of individual leadership is important to know and important to watch, for the credit executive, after all, has a part in the growth of the company.

A return to recognition of the basic value of human character is important to credit management in appraising and making the most of the future. In the beginning character created the corporation, and it provides the stamina for survival and the best guaranty of success. Our own success in credit management, to a large extent, depends on our ability to evaluate exactly the character of the men who run our customer companies. The quality of any risk is essentially the quality of the man or the men we accommodate. Long ago it was said that man is a measure of all things. Commercial credit appraisal ranks high among those things. It is my premise that we need to restore to its original and rightful importance the appraisal of the men we can trust for our own and our company's profit.

## Half of All Equipment Leases To $500,000 or Less Firms

More than half of all equipment leases being written today are for companies with total assets of $500,000 or less, and the average length of these is 3.7 years, a management seminar for smaller business, held at the University of Chicago, was told by Robert Sheridan, president of Nationwide Leasing Company. Within 10 years one-half of all production equipment used by firms in this category may be on lease, he added.

## *Creeping Inflation vs. Crawling Deflation*

Inflation has been called many things. Among those printable are "creeping", "trotting" and "galloping." Comes now a term in the field of deflation, from staff economists of the United Nations—"crawling deflation."

Declaring that industrial companies' deep-seated fear of touching off inflationary movements has progressed too far, the economists in their report on United Nations' world economic survey caution that the "thesis that creeping inflation can be eliminated by crawling deflation seems to be based on a static conception of economic activity."

They point to governments' "growing inclination to discount an economic slowdown as a phase of rest, and a recession as a mild economic ailment for building up immunity against a major depression."

The result, they say, is that price stability is increasingly interpreted to mean that there should be no rise in prices and that a sizable amount of unemployment can be tolerated.

These economists conclude: "It may well be that a high rather than a low rate of economic growth would in the long run provide for greater price stability."

## American-Marietta Develops "Economic Picture" of 1975

Anticipation of the nation's economic growth by 1975 has produced these projections: a doubling of the national economy, with the Gross National Product, now approximately $480 billions, reaching $925 billions measured in terms of today's dollar; average family income, now $6,480 a year, will have increased to an average of $9,400, again measured in terms of today's dollar, and in 15 years a full third of the 70 million American families will annually earn $10,000 or more. New construction, maintenance and repair expenditures will total $137 billions annually by 1975.

These and other economic previews, together with charts of projected growth of specific industries, are contained in the interesting 40-page illustrated report "The Years Ahead: 1960 to 1975," prepared for American-Marietta Company, 101 E. Ontario St., Chicago 11, Ill. Conclusions follow a year-long study.

## International Telephone Directory in 4 Languages

Publication of the fifth annual edition of the only "international yellow pages" in four languages, the International Telephone Directory, is announced by R. A. Nellson, president of International Telephone Directory, Inc., American agency for ITD of Paris. Printed in English, French, German and Spanish, ITD lists almost a half-million businesses and services under 5,000 categories in 125 countries. Each listing gives the name, address and telephone number, plus the regional location within the country and cable and telex address.

One indication of the accelerated pace of international business noted by Mr. Nellson: volume of transoceanic calls increased 110% in the four years from 1955 to 1959, from 1,179,042 to 3,089,000. In 1959 there were 25 million international telephone calls to or from the United States.

Among things Americans can do to serve overseas markets more effectively and to compete with vigorous competitors abroad, Mr. Nellson noted: "redesign your products to meet foreign needs and tastes; seek more liberal depreciation policies at home; keep domestic labor costs in line; accelerate the development of marketing techniques that are pinpointed to both the opportunities and the cultures abroad."

The new company, a subsidiary of the Nellson Company, has offices in Rochester, New York, Chicago and Hollywood.

## Mueller Offers Program for Far East Free Enterprise

Five steps to expand free enterprise of the United States and Far East countries, proposed by Frederick H. Mueller, secretary of commerce, at a luncheon of the Far East-America Council of Commerce and Industry in New York, included these:

Foster interest in Far East achievements, end discrimination and liberalize import policies on trade with the U.S. and other free world countries, encourage investment of U.S. private capital, place greater reliance on domestic private enterprise, and develop more small business companies.

# Instalment Financing Speeds toward Five-Figure Incomes, Says Banker

INSTALMENT financing in the 1960s will spread at an accelerated rate into the upper-middle-income brackets and "even into substantial five-figure incomes", says T. W. Gormly, vice president in charge of the time plan department of the Peoples First National Bank & Trust Company, Pittsburgh.

T. W. GORMLY

Defining instalment financing as "representing the instalment obligations people incur either when they make a cash instalment loan or when they buy things on time", Mr. Gormly declares it is reasonable to expect that by 1970 instalment credit outstanding will increase approximately one-third, possibly even much more because of the trend to stretch out the repayment term.

The banker marshals an array of facts to support his predictions, among them a noticeable increase in family formations at mid-decade with its marked broadening of the market for consumer items, more labor-saving household devices, emphasis on multiple car families, continued rises in prices and incomes and retail sales volume, and other inflationary factors.

**"The bulge of family formations which will commence in the middle 1960s will be enormous, a tremendously broader market for all the things that families need in terms of our high living standards," he points out. "There will be developed more and better labor-saving and entertaining household devices. The emphasis on automobiles will be on multiple car homes rather than on bigness and ornateness. The fact that families have more leisure time will stimulate recreation and entertainment both home and away.**

"On top of all this will be a continuation of rising prices and rising income, adding up to greater dollar volume of sales at retail. The combination of these inflationary factors and the sharply increased number of family units cannot help but result in a substantial addition to the amount of instalment credit used."

No longer are the principal users of instalment buying confined to low-income folk, Mr. Gormly notes. "More and more people—under the pressure of higher living costs, higher taxes, and higher living standards—are using credit, and I foresee that this trend will spread at an accelerated pace into the upper-middle-income brackets and even into substantial five-figure incomes."

Research and development beyond imagination "will bring to the marketplace new marvels comparable to refrigeration, television and air-conditioning, calculated to make living easier, more comfortable and pleasant. Whatever these devices are, people will want them—and in America wanting usually means buying, and increasingly on time."

Assuming that 13 per cent of disposable personal income is about as much as can safely be pinned down by repayment of instalment debt, and assuming that 25 per cent rise in disposable income in this decade will boost the total to $387 billions by 1970, that amount will support instalment debt repayments of $50 billions and that volume of repayments will in turn support close to $45 billions of outstandings, the bank executive told members of The Credit Association of Western Pennsylvania. He called it reasonable to expect that instalment credit outstandings will have increased one-third by 1970.

**Even this figure he calls substantial under-statement if the postwar trend to stretch out the repayment term continues, as expected. In recent years auto financing has stretched from 24 months to 36, home improvement loans from 36 months to 60, mobile home loans from three years to seven.**

"There has been a spectacular growth of revolving personal credit which, by design, has no maturity at all," he adds. "If the price level continues to rise one might reasonably surmise that this trend will continue. This has thrust on the industry a pressing problem of money supply and money cost; for the longer the term the smaller the repayment, with the result that outstandings go up. This is presenting an increasingly grave problem to many small finance companies which are inadequately capitalized to handle rapidly rising outstandings."

### *Statutory Control Spreading*

Mr. Gormly points to a concomitant trend in legislation. "The first two decades of this century there was a wave of legislation waged primarily at loan sharks and dealing almost exclusively with direct cash loans. Some 37 or 38 states now have uniform small loan laws.

"This is fine but until very recently a much larger area—sales financing—of instalment credit was completely devoid of statutory limitation. Ten years ago Pennsylvania led the way with the Motor Vehicle Sales Finance Act, and this has been emulated by a number of states. More

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STARTING *with the bank in 1925 when he was 16, T. W. Gormly, vice president in charge of the time plan department of the Peoples First National Bank & Trust Company, Pittsburgh, was graduated later from the University of Pittsburgh evening school of business. He was assistant manager of the mortgage department when he left for three years of Navy service.*

*Returning, Mr. Gormly in 1949 became assistant vice president of the time plan department, advancing to vice president in charge, in 1952. In that period he attended the Graduate School of Banking and was an instructor on consumer credit at the University of Pittsburgh (1950-54), and since 1954 on the faculty of the University of Virginia school of consumer banking; also in 1955 an instructor in consumer credit at school of the Pennsylvania Bankers Association.*

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recently, and perhaps more notably, New York State enacted a law covering all areas of sales financing.

"I predict that this trend toward statutory control of instalment business will spread throughout the Union. For the most part I do not decry it, because the legislation we have had so far has been largely sound and desirable."

### *Broadened Applications*

Mr. Gormly believes this decade will see the principles of instalment credit applied even more broadly. He cites the unusual growth of leasing and the development of charge account banking and revolving personal credit, and adds: "Decisions like these by truly prestige banking institutions tip off what might be expected as the instalment credit industry strives to serve the needs of its customers and as the competitive components within the industry attempt to preserve or improve their positions.

"Our business in both the short run and the long run will be a very active and interesting one indeed. It behooves all of us to find cheaper and faster ways of running our business just in order to handle the volume which is certain to be forthcoming."

## "No Man's Land" in Labor Dispute Ends by New Law

Terminating the "no man's land" in labor disputes involving small businesses, a new Federal law paves the way for the handling of the cases by labor boards in 12 states, in the other states by courts.

State agencies and courts now can decide labor matters regulated by the National Labor Relations Act and involving companies of annual dollar volumes less than totals set up by the NLRB.

## New "Equilease" Plan Is Based Upon Lessee's Own Bank Rate

An "Equilease" plan, based on the lessee's own bank rate and including trade-in allowances, lease renewals or purchase options, has been launched by Equitable Leasing Corporation, New York. "Equilease" will cover all types of equipment, plant and machines, says Joseph Boneparth, president.

# Trends

*in commerce*

*in industry*

*in finance*

### Fiscal Irresponsibility

EVASION of a finish fight with problems of mounting taxes, expenditures and debt at all government levels has brought a crisis in fiscal responsibility, says Robert W. French, president Tax Foundation, Inc.

First step to meet that responsibility, Mr. French told the National Industrial Conference Board, is a determination to call a halt to uncontrolled spending and inflationary deficits. Then there must be reform of Congressional procedures to correct a situation that leaves Congress without control of two-thirds of the Federal budget through appropriation processes, to relate proposed spending to anticipated revenues before the spending is approved. Also essential, declared Mr. French, is the overdue overhauling of the Federal tax system and reallocation of tax sources among Federal, state and local governments.

### Retail Volume Cheery

INCREASE of 3 or 4 per cent in retail volume this year is in the cards, says Charles H. Kellstadt, president of Sears, Roebuck & Co., and for his chain he predicts that rate of gain will be doubled.

### Why Competing Trade Blocs?

CLASHING viewpoints on Europe's political setup in the future is the real reason for the split threatening to divide the continent into competing trade blocs—the Common Market and the Outer Seven—say economists of The Chase Manhattan Bank.

The Common Market is interpreted as "based on the premise that politics and economics are inseparable" and that it is an economic road leading to political unity of the Six (France, Italy, Western Germany, Belgium, the Netherlands and Luxembourg) "and (its founders hope) of the whole of Europe." On the other hand, the Outer Seven (Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom) "would like to keep economic integration strictly a matter of loose cooperation between politically independent states."

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***I am only interested in the future, because that is where I intend to spend the rest of my life.***

**—N. A. Rombe**

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### 22 Million Stockholders?

IF share-ownership continues the sound expansion which doubled to 12.5 millions between 1952 and 1959 the number of individuals owning shares of publicly-held companies, "we could have a stockholder population of 22 millions by 1970," says Keith Funston, president of the New York Stock Exchange. With the help of electronic systems, he adds, the Exchange community would be able to take care of the expanded business.

### Money Problem No Crisis

ADDITIONS to savings will not even approach the anticipated record demand for bank loans from business and government this year, but more complete use of loanable funds, with greater selectivity and more rapid turnover, will do much to make up the difference, declared members of Robert Morris Associates, panelists on "Money—Its Availability and Cost," at the twelfth national credit conference in Chicago sponsored by the American Bankers Association's credit policy commission. The speakers predicted continuation of credit restraint policy until stronger evidence shows business is tapering off or tending in that direction.

The moderator was Arthur F. Boettcher, president of Robert Morris Associates and senior vice president of The Boatmen's National Bank of St. Louis. Panelists were David M. Kennedy, chairman Continental Illinois National Bank and Trust Company of Chicago; Murray Kyger, president The First National Bank of Fort Worth, and Roy L. Reierson, vice president Bankers Trust Company, New York.

### $1.6 Billion Steel Mills Outlay

SECOND ONLY to 1957, the steel companies of America plan to spend $1.6 billions on new equipment and construction this year, says the American Iron and Steel Institute. This total would be $640 millions greater than the outlay last year, $150 millions under the record 1957.

### Out of the "Dust Cloud"

ABOVE the "dust cloud deliberately stirred up by some self-seeking politicians" — and "habitual pessimists" — rise these proven truths, Frederick H. Mueller, secretary of commerce, told the Pennsylvania Manufacturers Association:

The United States "has an unsurpassed and steadily increasing overall defense that deters war, an economic system that is creating the greatest prosperity in world history, growing stronger year by year," and "we Americans have the priceless treasures of freedom and justice and religious faith."

Ernest A. Rovelstad

## "Operation Bootstrap" Plants to Stay after Exemption Deadline

Three out of four of the 600 new factories brought into Puerto Rico largely by "Operation Bootstrap" will continue operations there after their tax exemptions under the Commonwealth's program expire, according to a study by the Economic Development Administration covering 59 enterprises whose exemptions will end in a few years.

The plants planning to continue are the larger and more productive ones, accounting for 86 per cent of the jobs in all the plants surveyed. Nine out of 10 plants preparing to stay have also raised wages more than 50 per cent in seven years.

"Operation Bootstrap", enacted in 1947, grants to "qualified" new manufacturers a 10-year exemption from corporate income and real property taxes plus a three-year "tapering off" period. The last date for granting exemptions is Dec. 31, 1963.

## Record 130 Million Ingot Tons Is Steel Production Forecast

An all-time high output of 130 million ingot tons this year is forecast for the steel industry by Avery C. Adams, chairman and president of Jones & McLaughlin Steel Corporation, Pittsburgh. This would average 87 per cent of the increased industry capacity, estimated at above 148 million tons for 1960. The 1959 ingot output was placed at 93 million tons, 63 per cent of 147.6 million net capacity. The record was set in 1955 with 117 million tons.

Mr. Adams said inventory in 1959 dropped from a beginning level of about 15 million tons to a critical year-end level of approximately 9 million tons (at mid-year 26 million).

## Increased Debt Cuts Record Savings Net under '58 Period

While record $10 billion savings were made by individual Americans in the third quarter last year, they increased their indebtedness by more than $5 billions in the same period. Net saving therefore was $4.8 billions, a billion dollars less than the postwar high of that period in 1958.

More than a third of the $10 billions was in investments in securities.


***INVENTORY CONTROL ELECTRONICALLY—President Emil Martini of Bergen Drug Co., Hackensack, N.J. is shown with IBM RAMAC 305 Computer which automatically monitors wholesale drug firm's inventory of more than 25,000 items, prepares invoices and has completely automated company's existing order processing cycle. Company has been punched card equipment user since 1949.***

## $472.5 Million Set-Aside for Small Business in 6 Months

A record $472.5 millions in proposed government purchases was earmarked for award to small business in the six months ended last year-end. This included 10,989 prime contracts valued at $393.2 millions.

## $11 Millions in Fresh Capital Committed to Small Business

Almost $11 millions in fresh capital has been committed to small businesses through equity capital and loan agreements by small business investment companies licensed early last year, says Philip McCallum, SBA administrator.

Proposed changes in reporting requirements, reports and annual financial statements of such companies (published in detail January 22, 1960, in the Federal Register, available from the Superintendent of Documents, Washington 25, D.C.) include establishment of a uniform fiscal year, April 1 to March 31, for audits and reports to SBA, using as reporting medium Financial Report, SBA form 468.

## Steel Inventory Rise, Rapid Expansion of Business Seen

The first quarter's appreciable inventory rise in the steel and steel-using industries will be maintained for the April-June period, predicts the economic consultant of the Federal Reserve Bank of Chicago.

Output the first half of this year had been estimated at 70 million tons, 9 per cent above the like period in 1959, but now certain types of steel are moving to users faster than anticipated.

The economist also notes the 1959 record net new demand on the nation's capital and money markets.

## New Highs First Half Year, Then Possible Drop: Nadler

New highs for the economy this first half year of 1960 are seen by Dr. Marcus Nadler, The Hanover Bank's economist, but he cautions there may be a decline toward the end of the year or in early 1961.

Dr. Nadler predicts increased personal disposable income and retail trade, strong demand for autos and other durables, 10 per cent rise in capital outlay for new plants and equipment, added government spending, heavy demand for bank credit, continued high money rates, a possibility of increased exports—but declines in housing and farm income.

***We are interested in others when they are interested in us.***

**—Publilius Syrus**

ON THE

# Personal Side

In promotions at American Credit Indemnity Company of New York, CHARLES E. HANDSAKER has become manager and MARSHALL F. RUSH, SR. state agent of the company's New Jersey agency department, at Newark. Executive offices of the company are in Baltimore.

FLOYD A. CALDINI has been promoted from controller to treasurer of Commercial Discount Corporation, Chicago. At the same time FRANK R. BERGEN advanced to vice president from assistant vice president and DONALD J. HOWE of the legal staff was named secretary.

T. AMES WHEELER, formerly controller, Allegheny Ludlum Steel Corporation, Pittsburgh, has become vice president in charge of planning, a new position in the company. WILLIAM A. KIRKPATRICK, assistant controller since 1956, succeeds Mr. Wheeler as controller.

BERT H. DAVIS, treasurer since 1945, has additionally been named vice president of Charles Millar & Son Company, Utica, N.Y. NORBERT R. EVANS, named assistant treasurer, continues his duties as secretary.

SHERWOOD M. BONNEY, vice president and treasurer, Johnson & Higgins, New York, has been named a director.

HAROLD J. BUESCHER has been named president of Brad Foote Gear Works, Inc., Chicago, succeeding Gunnar E. Gunderson, who has become chairman of the board and chief executive officer. Formerly secretary - treasurer, Mr. Buescher continues his duties as treasurer. He began with the company in 1928 as head of accounting.

H. J. BUESCHER

THOMAS A. PECK has been named general manager of the recently formed Fedders Financial Corporation, wholly owned subsidiary of Fedders Corporation, Maspeth, N.Y. Prior to his new appointment Mr. Peck was credit manager of the parent company for five years. Earlier he had been loan officer, Chase Manhattan Bank, for ten years.

ARTHUR L. BAKER has been named assistant treasurer of John P. Maguire & Co., New York. Mr. Baker has been with the company four years, in the statistical and new business departments, following credit service outside the textile field. He is a graduate of the school of commerce of New York University.

Promoted at The Chase Manhattan Bank, New York City, from assistant vice presidents to vice presidents: LEONARD CASEY, C. JOSEPH KENNEDY, JOHN C. MATTHEWS and ROBERT J. PARK. Messrs. Kennedy, Matthews and Park are in the United States department, Chase Manhattan's national territorial organization.

HARRY G. BOWLES has been appointed controller, Burroughs Corporation, Detroit. A 30-year employee, he has been plant manager for Burroughs' Mittag division.

FREDERICK N. PURDUE, JR., of the customer relations department, has been advanced from assistant secretary to assistant vice president of Chemung Canal Trust Company, Elmira, N.Y., and FREDERICK W. GARVEY has been appointed assistant treasurer of the bank. Mr. Purdue is past president of the New York-Pennsylvania Credit Men's Association (1958-59).

***If you want a thing well done, don't do it yourself unless you know how.***
**—Optimist**

C. E. HANDSAKER

M. F. RUSH, SR.

J. G. THOMPSON, JR. has joined Smith Industries, Inc., Houston, as credit manager for the Tyson Smith Company, Nowery J. Smith Company and N. J. Smith Bolt Company, member-firms of Smith Industries. Previous associations were with Dun & Bradstreet and Humble Oil & Refining Company.

HUGH R. CHACE has been appointed executive vice president, The Bank of New York, New York City. Formerly in charge of the bank's midwestern business, Mr. Chace has most recently been head of the commercial banking division.

NORMAN H. PENNEY has become controller, North American operations, Massey-Ferguson Limited, with responsibility for all controllership functions of the company within Canada and the United States. He formerly was vice president of finance and director of Chrysler Corporation of Canada Ltd.

W. RICHARD HAINES, with Eastman Kodak Company's credit department since 1952, has been promoted to assistant regional credit manager, at Rochester, N.Y. headquarters. A. HARDING MARGESON succeeds Mr. Haines as credit office supervisor.

R. R. GOEWEY has been named treasurer and chief financial officer, Porter-Cable Machine Company, Syracuse, N.Y. He assumes functions formerly handled by Robert C. Tyo, president, who will devote more time to other management responsibilities. Mr. Goewey, who continues as controller, also is a director of the company's new subsidiary, Rototiller, Inc., Troy, N.Y., and its Canadian operation, Porter-Cable Power Tools (Canada) Ltd.

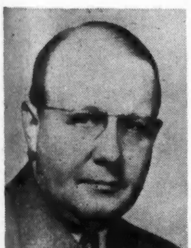
LAWRENCE SPIRER has been appointed treasurer Sonneborn Chemical & Refining Corporation, New York City. (Company name formerly was L. Sonneborn Sons, Inc.) A certified public accountant, Mr. Spirer went with Sonneborn in 1952 from S. D. Leidesdorf & Company. Henry Sonneborn III, formerly treasurer, has become vice president and secretary.

C. J. BOEMER has been named treasurer and a director of Naegele Advertising Companies, Inc., Minneapolis. Mr. Boemer joins William Howe Smith and Paul Schmidt on the finance committee. Mr. Smith is president of Petroleum Services, Inc. and Mr. Schmidt is president Northwestern Industries.

DAVID GORDON has become credit manager of Revlon, Inc., Edison, N.J. He is past president of the Drug & Perfume Manufacturers Group and the Drug & Chemical Credit Round Table. Earlier associations of Mr. Gordon were with Cole Steel Company and Helena Rubinstein, Inc.

MISS MARGARET HAIL has been promoted to credit manager The Chattanooga Medicine Company, to succeed Robert Mason, retired. Paul J. Viall, past president, National Association of Credit Management (1955-56) is treasurer of the company.

Miss Hail's entire career has been with the Tennessee medicine company. Active in credit, she has served as director of the Chattanooga Association of Credit Management and as chairman of various committees. She was instrumental in organizing the Chattanooga Wholesale Credit Women's Group and was named president in 1952. Miss Hail served for two years as member National Credit Women's Executive Committee and currently is vice chairman—publicity.



C. J. BOEMER

MISS HAIL

LAWRENCE SPIRER

DAVID GORDON

ROBERT A. LIGGETT, chief accountant and credit manager for the last six years, has been promoted to controller of The Claycraft Company, Columbus, Ohio. Mr. Liggett is a director and treasurer of The Columbus Credit Association. A graduate of Ohio State University, he was with Creole Petroleum Company as inter-company auditor in Venezuela for four years.

DAVID T. TOPPER has been advanced from credit manager of ACF Industries, Inc., New York, to manager-insurance. Mr. Topper is a graduate of NACM's Graduate School of Credit and Financial Management (Dartmouth '58).

Additional changes among alumni and current students of the Graduate School:

THOMAS J. BROWN, credit manager Gulf Oil Corp., Boston (D-58); ROBERT F. MURPHY, treasurer General Motors Acceptance Corp., New York (D-58); FRANCIS W. MURRAY III, from assistant secretary to assistant vice president Chemical Bank New York Trust Co. (D-61); ROGER J. QUINN, Genesee Valley Union Trust Co., Rochester, to manager University-Culver Office.

RICHARD C. HELLWIG has been named credit manager for Monsanto Chemical Company's overseas division, St. Louis. He began in the credit department in 1953, subsequently handled special assignments within the treasury department, and since early 1959 he has been assistant in the credit department of the inorganic chemicals division.

ROBERT S. BOYD has been elected assistant vice president of the Seaboard Citizens National Bank, Norfolk, Va.

# COMPLETE PROGRAM AND HIGHLIGHTS

***The completed program of the 64th Annual Credit Congress in St. Louis May 15 to 19 is presented herewith—Plenary Sessions, listing of Group meetings on Industry Day, Special Events, Entertainment.***

***In addition, notes convention publicity director Frank W. Ries, credit manager of The R. J. Brown Company, St. Louis, there are literally dozens of special functions such as association receptions and dinners, breakfasts, luncheons. These will be listed in the Official Credit Congress Program Book, which all will receive when their Convention Credentials are picked up on arrival at the Sheraton-Jefferson hotel.***

## MONDAY MORNING

May 16, 1960

**FIRST PLENARY SESSION**

***Gold Room—Sheraton-Jefferson Hotel***

**A.M.**

**9:00** At the Baldwin Organ
Organist: DICK BALSANO

**9:30** Call to Order
RALPH E. BROWN, General Convention Chairman
Vice President, Central Division
National Association of Credit Management
Vice President
Marsh & McLennan, Inc., St. Louis

**9:35** Invocation—
RIGHT REVEREND FATHER JAMES P. JOHNSTON
Pastor, Immaculate Conception Church, St. Louis
Manager of Father Dempsey's Charities, St. Louis

**9:40** Presentation of The Colors—
The Color Guard of the U. S. Marines, St. Louis

**9:45** Presentation of Gavel by CHAIRMAN BROWN to
WILLIAM L. HOLMES, President
National Association of Credit Management

**9:50** Welcome to the 64th Annual Credit Congress—
From the State of Missouri:
THE HONORABLE ROBERT W. CRAWFORD
Secretary of State

**9:55** From the City of St. Louis:
THE HONORABLE RAYMOND R. TUCKER
Mayor

**10:00** From the St. Louis Assn. of Credit Management:
N. I. OTTINGER
President

**10:05** Response to Welcome—
JAMES H. DONOVAN
President 1958-59, National Assn. of Credit Management
Assistant Treasurer
Jones & Laughlin Steel Corp., Pittsburgh

**10:10** The President's Report—
WILLIAM L. HOLMES
President, National Association of Credit Management
Assistant Treasurer
Schlumberger Well Surveying Corp., Houston

**10:30** Address:—
DR. HARVEY C. HAHN
Guest Lecturer
General Motors Corp., Detroit

**11:10** Announcements—
W. E. GALLAGHER
Bussmann Manufacturing Division
McGraw-Edison Co., St. Louis

**11:15** Presentation of American Petroleum Credit Association Meritorious Achievement Awards to—
ALBERT B. SENNE
Staff Credit Manager
B. F. Goodrich Tire Co., Akron

JOHN C. WEAVER
Division Credit Manager
The National Supply Co., Denver

Presentation by:
WILLIAM P. LAYTON, Executive Director
Graduate School of Credit and Financial Management
National Assn. of Credit Management, New York, N.Y.

WILLIAM J. HABKIRK, Manager—Credit Department
The British American Oil Company Limited
Toronto, Ont.

**11:20** "A Credit to Credit"—
Presentation of Meritorious Membership Awards—
FRED J. FLOM, Chairman
N.A.C.M. Membership Committee
Director—Credit and Adjustment
The Detroit Edison Co., Detroit

**11:25** Address:—
"The Obligation To Be Informed—And the Opportunity"
JOSEPH F. HOLLAND
Special Assistant to the Publisher
St. Louis Post-Dispatch

**11:55** Appointment of Committees—
WILLIAM L. HOLMES
President, National Association of Credit Management

**12:00** Adjournment

## MONDAY AFTERNOON

May 16, 1960

**SECOND PLENARY SESSION**

***Gold Room—Sheraton-Jefferson Hotel***

**P.M.**

**1:30** At the Baldwin Organ—
Organist: DICK BALSANO

**2:00** Call to Order—
GILBERT W. SITES
Vice President, Western Division
National Association of Credit Management
Credit Manager
The Times-Mirror Co., Los Angeles

**2:05** Panel Discussion:—
"Transportation's Future And Its Effect on Our Economy"
Moderator:
WILLIAM F. SCHROER
Assistant Treasurer
John Fabick Tractor Co., St. Louis
Panel Members:
ARTHUR K. ATKINSON, Chairman of the Board
Wabash Railroad Co., St. Louis
CHARLES S. THOMAS, President
Trans World Airlines, Inc., New York, N. Y.
WELBY M. FRANTZ, President
American Trucking Associations, Inc., Washington

**3:15** A Play:—
"THE VOICE OF THE GAVEL"
In Three Acts
A bankruptcy court proceeding typifying what few creditors and lawyers have ever had the opportunity to witness
Featuring:
THE HONORABLE RONALD WALKER
Referee in Bankruptcy
U. S. District Court, Los Angeles
THE HONORABLE NORRIS POULSON
Mayor of the City of Los Angeles
JACK STUTMAN
Author of the play, Los Angeles
JERRY NEMER
Member of State Bar of California

**4:45** Greetings:
MAYOR NORRIS POULSON, Los Angeles

**4:55** Announcements—
WILLIAM E. GALLAGHER

**5:00** Adjournment

# OF 64th ANNUAL CREDIT CONGRESS

## TUESDAY

May 17, 1960

Meetings of the following Industry Groups are scheduled for the entire day:

Advertising Media
Automotive
Bankers
Brewers, Distillers and Liquor Wholesalers
Building Material and Construction
Chemical and Allied Lines
Confectionery Manufacturers
Drugs, Cosmetics and Pharmaceuticals
Electrical and Electronics Distributors
Electrical and Electronics Manufacturers
Feed, Seed and Agricultural Suppliers
Fine Paper
Floor Coverings and Furniture
Food Products and Allied Lines Manufacturers
Food Products Wholesalers
Hardware Manufacturers
Hardware Wholesalers
Insurance
Iron and Steel, Non-Ferrous Metals and Related Lines
Machinery and Supplies
Meat Packers
Millers and Allied Lines
Oil Field Services and Supplies
Paint, Varnish, Lacquer and Wallpaper
Paper Products and Converters
Petroleum
Photographic Manufacturers and Distributors
Plumbing, Heating, Refrigeration and Air Conditioning
Public Utilities
Textile
Wearing Apparel and Footwear

*(See Convention Program Book for details)*

## WEDNESDAY MORNING

May 18, 1960

**THIRD PLENARY SESSION**

***Gold Room — Sheraton-Jefferson Hotel***

**A.M.**

**9:00** At the Baldwin Organ—
Organist: DICK BALSANO

**9:30** Call to Order—
STEPHEN F. SAYER
Vice President, Eastern Division
National Association of Credit Management
Vice President
First Pennsylvania Banking & Trust Co.
Philadelphia

**9:35** Invocation—
RABBI FERDINAND M. ISSERMAN
Pastor, Temple Israel, St. Louis

**9:40** Greetings from the National Retail Credit Association—
WILLIAM H. BLAKE
Executive Vice President, St. Louis

**9:50** N.A.C.M. Insurance Advisory Council
Meritorious Award Presentation By—
GEORGE T. COWAN, Chairman
N.A.C.M. Insurance Advisory Council
Vice President
Johnson & Higgins, New York, N. Y.
RALPH E. BROWN, Chairman
Special Awards Committee
N.A.C.M. Insurance Advisory Council
Vice President
Marsh & McLennan, Inc., St. Louis

**9:55** Address:—
"Fat Or Friction"
KENNETH C. PRICE, M. D.
St. Louis

**10:25** Announcements—
WILLIAM E. GALLAGHER

**10:30** Presentation of Meritorious Membership Awards—
FRED J. FLOM, Chairman
N.A.C.M. Membership Committee
Director—Credit and Adjustment
The Detroit Edison Co., Detroit

**10:40** Panel Discussion:—
"Retirement in Spite of Inflation"
Moderator:
DR. ARTHUR MASON, JR., Assistant Dean
School of Business & Public Administration
Washington University, St. Louis
Panel Members:
HUGH A. LOGAN, Vice President
St. Louis Union Trust Co., St. Louis
JAMES S. ELY, Assistant Vice President
Marsh & McLennan, Inc., St. Louis
DEAN STEPHAN W. VASQUEZ
School of Commerce & Finance
St. Louis University, St. Louis

**12:00** Adjournment

## THURSDAY MORNING

May 19, 1960

**FINAL PLENARY SESSION**

***Gold Room — Sheraton-Jefferson Hotel***

**A.M.**

**9:00** At the Baldwin Organ—
Organist: DICK BALSANO

**9:30** Call to Order—
LYSLE H. KOOGLE
Vice President, Southern Division
National Association of Credit Management
President
Triangle Electric Supply Co., Inc., El Paso

**9:35** Invocation—
CANON EARLY W. POINDEXTER, JR.
Christ Church Cathedral, St. Louis

**9:40** Presentation of Meritorious Membership Awards—
FRED J. FLOM, Chairman
N.A.C.M. Membership Committee
Director—Credit and Adjustment
The Detroit Edison Co., Detroit

**9:50** Presentation of M.E.M.A. Scholarships for Graduate School of Credit and Financial Management—
B. F. EDWARDS, JR., President
Credit Research Foundation, Inc.
Vice President
Bank of America NT&SA, San Francisco
F. J. LANNING, General Manager
Motor & Equipment Manufacturers Association
New York, N. Y.

**9:55** Address:—
"A Look Ahead with Our Economy"
DR. CHARLES F. PHILLIPS
President, Bates College
Lewiston, Maine

**10:25** The Press Interviews
J. WESLEY McAFEE
President
Union Electric Co., St. Louis

Members of press, radio and television corps will interrogate Mr. McAfee on a variety of subjects, probably including industrial use of atomic energy, public and private power dams, business prospects, future of the push-button age.

**10:55** Recognition of Convention Committees—
S. J. HAIDER, Convention Director
National Association of Credit Management

*(Program concluded on following page)*

# CREDIT CONGRESS PROGRAM

(Begun on page 22)

**11:10** Recognition of N.A.C.M. Board Members and Presentation of Certificates of Merit—
WILLIAM L. HOLMES, President
National Association of Credit Management

**11:15** 65th Annual Credit Congress—Denver
GEORGE D. SPILLANE, Credit Manager
Beatrice Foods Co., Denver
President, Rocky Mountain Association of Credit Men

BUSINESS SESSION

PRESIDENT WILLIAM L. HOLMES, Presiding

**11:20** Report of Resolutions Committee—
NED M. FRENCH, Chairman
McDonald Bros., Inc., Memphis
Report of Nominations Committee—
JAMES H. DONOVAN, Chairman
Assistant Treasurer
Jones & Laughlin Steel Corp., Pittsburgh
Election of N.A.C.M. Directors, Vice Presidents, President
INSTALLATION:
Directors—Vice Presidents—President
Unfinished Business
New Business

**12:00** Adjournment—"Auld Lang Syne"

## INTERNATIONAL TRADE FUNCTIONS

***Wednesday—May 18, 1960***

**INTERNATIONAL TRADE LUNCHEON—12:30 P.M.**

Sponsored by the Foreign Credit Interchange Bureau of the National Association of Credit Management and the Foreign Credit Chapter of the St. Louis Association of Credit Management
Chairman: Rolla H. Stocke, Assistant Treasurer
Monsanto Chemical Co., St. Louis
Speaker: John Fox, Senior Vice President
Mercantile Trust Company, St. Louis
Subject: "The Changing Credit Picture Abroad"

**ROUND TABLE CONFERENCE—FOREIGN CREDIT, COLLECTION AND EXCHANGE PROBLEMS—2:00 P.M.**

Sponsored by the Foreign Credit Interchange Bureau of the National Association of Credit Management
Chairman: Clifford R. Rohrberg, Vice President
Morgan Guaranty Trust Company of New York
Questions and discussions regarding countries' dollar balances—foreign credit terms—collection experiences—discounts—export, import and exchange controls. All delegates invited.

## CREDIT WOMEN'S EVENTS

***Monday—May 16, 1960—12 Noon to 2:00 P.M.***

**LUNCHEON AND ANNUAL BUSINESS MEETING FOR ALL REGISTERED CREDIT WOMEN**

Invocation: Mrs. Loretta Johnston, Cincinnati
Presiding: Mrs. Alta Sethaler, Denver
Chairman, National Credit Women's Executive Committee
Address of Welcome: Mrs. Mae Simon, St. Louis
Response to Welcome: Miss Blanche Scanlon, Minneapolis
*Annual Business Session:*
Chairman's Report—
Mrs. Alta Sethaler, Denver
Vice Chairmen's Reports—
Miss Peggy Hail, Chattanooga
Miss Mildred McCall, Chicago
Mrs. Mary McGraw, Binghamton
Secretary's Report—
Miss Marie Ferguson, New York
Scholarship Award (Awarded by N.A.C.M.)
Report of Resolutions Committee
New Business

***Tuesday—May 17, 1960—7:00 P.M.***

**CREDIT WOMEN'S ANNUAL BANQUET**

Host City Chairman: Mrs. Evelyn L. Meints, St. Louis
Invocation: Miss Nell Alexander, St. Louis
Address of Welcome: Miss Bertha Ridley, St. Louis
Response: Mrs. Alta Sethaler, Denver; Chairman, National Credit Women's Executive Committee
Introductions: Mrs. Evelyn L. Meints, St. Louis
Speaker: Miss Cathy Bauby, Memphis. Subject: "Charm Tips to the Ladies"
Entertainment

***Wednesday—May 18, 1960—2:00 P.M.***

**CREDIT WOMEN'S FORUM MEETING**

Moderator: Miss Marlis Rick, Minneapolis

## ROYAL ORDER OF ZEBRAS FUNCTIONS

***Tuesday—May 17, 1960—6:30 P.M.***

**SILVER ANNIVERSARY—NATIONAL ROUND-UP DINNER AND ENTERTAINMENT**

***Wednesday—May 18, 1960—12:00 noon***

**LUNCHEON AND BUSINESS SESSION**

## ENTERTAINMENT

***May 15***

**Sunday Afternoon—Hostess and Credit Women's Reception and Tea**
All registered delegates and guests invited. More than 1,000 use this special event to become better acquainted.

**Sunday Evening—"The Best of Rodgers and Hammerstein"**
The score of "The Best of Rodgers and Hammerstein," played at the St. Louis Municipal Opera to sell-out audiences in Forest Park in 1950 and 1951.
The Municipal Opera conductor, Edwin McArthur, in charge of the musicians, chorus and soloists of the present company, who will be in rehearsal for the operetta to open the 1960 season. Soloists: Antoinette Petri, soprano; Bill Harder, tenor; Jean Comfort, mezzo-soprano, and Jay Willoughby, baritone, Orchestral music and hit tunes from "State Fair," "The King and I," "Carousel," "South Pacific," "Flower Drum Song," "Oklahoma."

***May 16***

**Monday Afternoon—Sightseeing Tour for Wives and Guests**
Firsthand view of many beauty spots—Forest Park, Shaws Garden, residential districts, Memorial Plaza, Aloe Plaza and Mille's Fountain, the downtown St. Louis—the old and new.

**Monday Afternoon—Card Party and Tea**
For the wives and guests who do not take the Sightseeing Tour. Table prizes. Refreshments.

**Monday Evening—President's Reception and Ball**
A night for dancing to the music and singing of Eddy Howard and his Orchestra. Mercury recording star and writer of many hit songs. Featured: Eddy Howard Trio.

***May 17***

**Tuesday Noon—Hostess Luncheon and Fashion Show**
Show produced by one of St. Louis' finest stores—Stix, Baer & Fuller. Mrs. John F. Lilly will review a New York musical play. Beautiful and useful favors for wives and guests.

**Tuesday Evening—Open "to do with as you please"**
Many special parties and receptions scheduled.

***May 18***

**Wednesday Evening—"Meet Me in St. Louis"**
Featuring: Mimi Benzell, star of opera, concert, recordings and television. The Sutton Dancers, precision choreography. King Morton, musical comedy actor-singer. George Carl and Arlene, pantomime comedy act. Rowena Rollins, television comedienne. Music by Ben Rader and His Orchestra for entertainment and dancing.

## *Interchange Reports on All Unsolicited First Orders Urged to Bare Crooks*

"During recent years many new businesses have been organized throughout the nation to engage in the wholesaling (sometimes combined with retailing) of small appliances, radios, TV's, jewelry, home furnishings and the like. They are generally designated as wholesalers of general merchandise," says John C. Fredell, counsel and director of The Fraud Prevention Department, National Association of Credit Management. "The majority of these firms have been set up by legitimate merchants and a large percentage have managed to grow and prosper.

"However, the growth of this type of business has provided a screen for the operations of criminals and racketeers, since inventory is readily disposable and difficult to trace. Liabilities in fraudulent failures of this type have sometimes amounted to $500,000 and more, and it is estimated that profit to the racketeer can run as high as 30 to 40 per cent of the liabilities. Clearly, this is a tempting field for organized crime, and there is evidence that such schemes are increasingly the work of syndicates, rather than of unorganized 'amateurs'.

#### *War on Crooks Intensified*

"Enforcement activities against these schemes have been intensified. At the same time the credit grantor can take action which will help protect him against criminals, without penalizing either himself or the legitimate dealers in this field.

"It is recommended that an NACM Interchange and mercantile agency report be drawn on every unsolicited first order, whether or not the order is shipped immediately. In fraudulent schemes the first order is usually paid promptly. By the time the second order is received the reports will provide some basis for evaluating the account. These reports will also show the creditor immediately whether his customer is the one listed in the agency rating book, with whom he may have thought he was dealing when he shipped the first order. Rating books are prepared with a high degree of accuracy as to names. Therefore any variation, no matter how minor, should be checked out. An order from J. Doe Company is not, in all probability, an order from the well-rated John Doe Co. in the same city. 'C. C. Furniture Co.' is not the same as 'C. & C. Furniture Co.'

"More important in dealing with fraud, however, is the fact that by requesting the report the creditor is on record with the agencies as interested in the subject. He will then be furnished subsequent reports, and if, as frequently happens in fraud cases, the agencies receive a wholly abnormal number of inquiries on the subject, the creditor will receive immediate warning of that fact. Without the initial inquiry, the agencies are powerless to inform the creditor of this and other significant information."

### Neiman Elected President of Polk County Bar Association

John H. Neiman, secretary-treasurer of the Iowa Unit, National Association of Credit Management, has been honored by the Polk County Bar Association with election to its presidency. He was treasurer of the county organization two years, vice president one year. He is also a member of the American and Iowa State bar associations.


J. H. NEIMAN

Mr. Neiman, who attended Grinnell College and was graduated in law from Drake University, had been a file clerk in the Credit Interchange department of the Iowa credit association when he was 12 years old.

From 1942 to 1946 he was a special agent of the Federal Bureau of Investigation, on leave of absence from the staff of the association, to which he returned as assistant secretary.

Mr. Neiman is a member of the Lions Club, the Des Moines Club and the Wakonda Club of Des Moines.

# Modernizing the Office

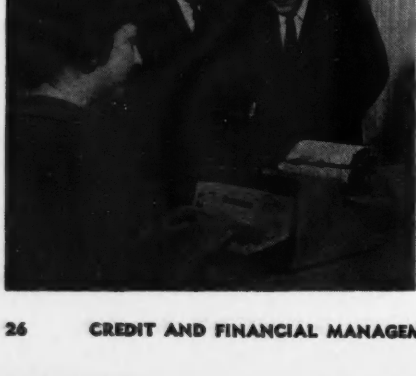
*New Equipment to Speed Production and Reduce Costs*

## 910 Computer-Typewriter Takes Over Routine Tasks

680 Complete departure from conventional automatic billing machines, the ROYAL McBEE 910 COMPUTER TYPEWRITER relieves the operator of all routine tasks of computation, automatically types all extensions, subtotals and totals. Description of taxes, discounts and rates, plus associated calculations are automatically printed, without recourse to manual keystrokes, through stored program control. System consists of standard Royal electric typewriter linked to a computing unit and can be operated by any typist. Equipment will be available for sale or lease.

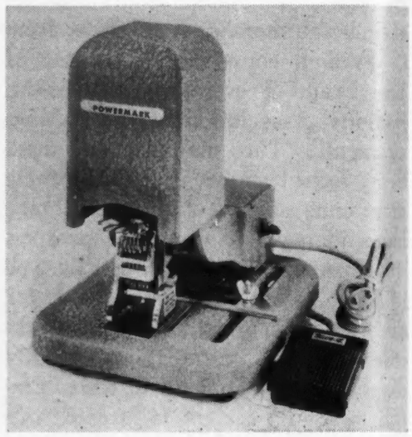
## Royal Spacetronic

681 Another of six new developments introduced by Royal McBee Corporation to give the company one of the broadest ranges of data processing equipment for offices of any size, the ROYAL SPACETRONIC Form Sensing Typewriter makes possible both horizontal and vertical automatic tabulation in the preparation of business forms and other complex documents without any programming. Machine employs photoelectronic sensing device which can respond to ordinary printed lines on a form; no special ink is required in printing forms.



## Marking Unit

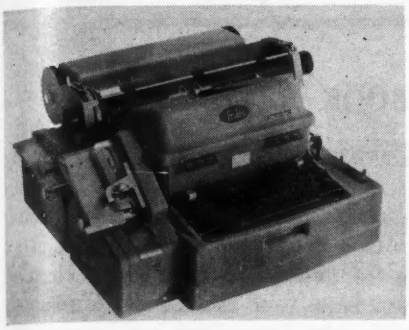
682 Especially valuable for numbering carbon interleaved forms but adaptable to many other uses such as coding shop tickets, insurance papers, file cards or folders and small flat cartons, the POWERMARK II Electric Numbering Coding Machine of Pryor Marking Products automatically adjusts to go through up to 16 carbon copies. Device is available in 6 to 10 wheel capacities; each wheel is controlled by its own lever. Two styles of $3/16''$ type are available. Unit is made of lightweight aluminum castings for easy portability.



## Mobile Shelf Files

683 Up to double the four-drawer cabinet method file capacity may be attained and microfilming costs saved with the Mobile Open Shelf Files, says maker DOLIN METAL PRODUCTS, INC. Mobile unit method permits a wide range of different layout techniques. Several mobile rows of equipment can be combined with rows of stationary equipment. Mobile units roll easily at any point to provide access to any rear file. Dolin shelf files are one and two shelf high units interlocked to seven shelves high.

## Pre-Encode Magnetic Check

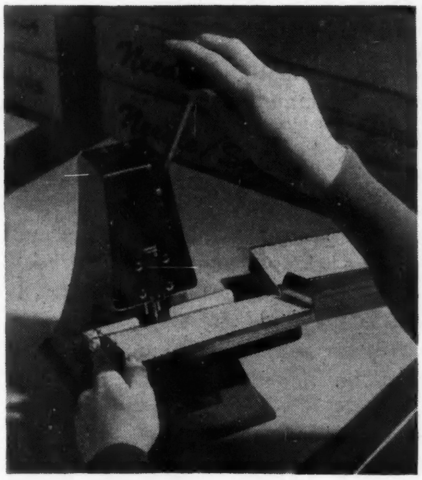


684 FLEXOWRITER ABA Automatic Writing Machine of Friden Inc. incorporates on a standard typing keyboard both the American Bankers Association symbols and the usual alphabetic-numeric characters found on any typewriter. Combined, these facilities are used to prepare offset (paper) plates to personalize checks with the customer's name and address and to imprint ABA numerals and symbols required for automatic sort-read operations on magnetic ink recognition equipment. Simultaneously the machine can perpetuate the inscribed data in coded form, on tape or edge cards.

***This Department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Please address MODERNIZING, Credit & Financial Management, 44 East 23rd St., New York 10, N. Y.***

## Faster Notching

686 Desk-model NEEDLE/SORT GROOVER is a device for simultaneously notching up to 75 Needle/Sort or other marginally punched cards or checks. Device of Beekley Corporation, Data Systems Div., features a locating and chip ejection pin that precedes the blade, assuring perfectly aligned cleanly cut notches and positive chip disposal. Grooving operation is said to be relatively effortless and fast. Unit occupies space 6¼" x 8¼", is 9¼" high, weighs 14 lbs. Use of a separate spindle alignment plate is unnecessary.



## Instant New-Look Office with Wood Modular Units

685 By the addition or deletion of stock components in the EISEN BROS. line of "Fundamentals," wood modular units such as shown can be easily changed in style and function. Storage capacity and drawer combinations can be increased, clerical work stations upgraded to secretarial units, secretarial or reception area furniture changed into executive suites, and vice versa. Desk tops are available in 31 standard sizes, in a variety of finishes. Panels come in walnut or matsu, a vinyl coated bamboo laminated to plywood. Pedestal and drawer fronts can be combined in a range of six colors.

# Guides to Improve Executive Operation

## KEEPING INFORMED

SECURITY SELECTION DURING A PERIOD OF INFLATION—Eight inflationary factors discussed by Norcross S. Tilney, editor-analyst, are: public acceptance, Federal budgetary deficit, labor's growing influence, dominance of single companies in industries, expectation of upward price movement, "seeds of monetization of Federal debt," full employment mandate to Government, and some aspects of the tax structure.

Anti-inflationary factors cited: enormous productive capacity, expansion encouraged by inflation, effective tax collection system, Federal Reserve prerogatives, sustained demand for fixed income securities, electorate's powers.

The booklet is distributed by Arnold Bernhard & Co., publishers of The Value Line Investment Survey, 5 East 44th St., New York 17, N.Y.

GUARD THAT PAYROLL—The Chase Manhattan Bank leaflet concisely sets forth a number of safeguards which may be helpful to companies which transport cash payrolls regularly. 4 pages. The Chase Manhattan Bank, 18 Pine Street, New York 15, N.Y.

WHAT OTHER COMPANIES DO—Study based on policies of 688 companies in defraying some or all of expenses incurred in moving household goods of transferred employees. For copy, write to H. P. Bruner, president, Greyvan Lines, Inc., 57 W. Grand Ave., Chicago 10, Ill.

LOANS TO LOCAL DEVELOPMENT—Explains programs of loans to local industrial development companies for plant construction, conversion and expansion. Available at all SBA field offices.

***Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.***

***To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 44 East 23rd St., New York 10, N. Y.***

## EFFICIENCY TIPS

842—Plastic base carbon paper, introduced by AAA Adding Machine Company, Inc., 26-09 Jackson Ave., Long Island City, N.Y., has a specially processed back, with cut corners, to provide non-curl handling. No smearing, no carbon rub-off from copies, solvent coated for longer wear, works on every typewriter, says company.

▼

843—Pneumatic Tube systems for use in communications networks are described in catalog of Airmatic Systems, Inc. Industries which have used them are illustrated.

▼

844—Plastic office accessories, such as chair mats, desk covers, are illustrated, specifications and prices given in booklet of Evans Specialty Co., Inc.

▼

845—"Scotch" brand Typewriter Cleaner, which comes in sheets 8½" x 11", rolls into typewriter and is simply typed on to clean the keys, has been introduced by Minnesota Mining & Manufacturing Co.

▼

846—Condensed 7-page catalog of Grant Photo Products, Inc., covers line of reproduction materials for industry, special use photo papers and instrumental photo-recording papers. Ask for G-5.

▼

847—Paper tape to magnetic tape converter, Series GN-100, which eliminates the intermediate conversion of paper tape to cards, reducing costly computer information loading time, is described in literature of Gilliland-NRI.

▼

848—"Space-saver Seating" for modern offices is subject of illustrated brochure of Robert John Company on its sleek Ultra line.

## BOOK REVIEWS

CORPORATE FINANCIAL MANAGEMENT—by Raymond P. Kent. 851 pages. $9.00. Richard D. Irwin, Inc., Homewood, Ill.

• Complete, authoritative and clearly written, this textbook, designed primarily for college use, covers all aspects of corporate finance and fiscal decision-making. Basic principles are discussed and illustrated with hypothetical cases. The operating executive may miss actual case histories, but could find value in the book for reference and as a refresher course on corporate finance.

FINANCIAL FACTS OF LIFE—by Donald I. Rogers. 81 pages. $2.95. Henry Holt and Company, Inc., 383 Madison Ave., New York 17, N.Y.

• The subtitle, "How to Read a Financial Statement," pinpoints a most readable and informative discussion by the financial editor of the New York *Herald Tribune*. The work, avowedly written for guidance of investors, reproduces a number of companies' financial reports to emphasize what to look for, amid variations of terminology, in real worth, working capital, expansion potential, and company financial status in relation to other concerns in the same industry.

### *Also Recommended*

UNITED STATES MONETARY STANDARD—Its Contribution to Prosperity without inflation—Background papers for participants in the Fourteenth American Assembly, also the Final Report. Edited by Dr. Neil H. Jacoby. Considered are the objectives, tools and processes of regulation of supply of money and credit, and the discretionary actions of the U.S. Treasury and the Federal Reserve System. 225 pages. $2.00. The American Assembly, Columbia University, New York 27, N.Y.

***Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your bookstore or direct from the publisher.***

# Legal Rulings and Opinions

## Out-of-State Use Tax Collection Upheld

The U. S. Supreme Court upheld by an 8 to 1 decision a law requiring out-of-state companies to collect from buyers a "Use" tax on merchandise shipped into the taxing state or pay the amount of such tax themselves. The high court ruling affirmed the 1958 Florida Supreme Court decision against a manufacturer of pens and pencils requiring him to collect the Florida Use tax from purchasers in the State of Florida even though the manufacturer had no place of business in the state and no directly employed salesmen there. *Scripto, Inc. vs. Carson,* U. S. Supreme Court No. 80, 3/21/60.

The Supreme Court noted that the manufacturer had "10 wholesalers, jobbers, or 'salesmen' conducting continuous local solicitation in Florida and forwarding the resulting orders from that State to Atlanta for shipment of the ordered goods. The only incidence of this sales transaction that is nonlocal is the acceptance of the order. True, the 'salesmen' are not regular employees of appellant devoting full time to its service, but we conclude such a fine distinction is without constitutional significance. The formal shift in the contractual tagging of the salesman as 'independent' neither results in changing his local function of solicitation nor bears upon the effectiveness of local solicitation in securing a substantial flow of goods into Florida."

The impact of this decision can be seen from the fact that at least 33 states and many municipalities now levy such "Use" taxes against purchasers for the privilege of using, storing or consuming some previously purchased property.

### Service Station Liable

At an auto service station a customer seeking a car greasing appointment was speaking to an owner when a piece of metal flew off an auto he was working on and lodged in the customer's eye, damaging it permanently. The jury held the owner negligent and brought in a verdict for the customer. The appeals court affirmed the judgment. *Lee* vs. *Dumansky* (New Jersey 1954) 106 A. 2d. 327.

### Deferred Tax Payments

The U. S. Court of Claims, in American Automobile Association v. United States (Court of Claims Docket No. 311-58) decided March 2, 1960, has upheld a ruling by the Internal Revenue Service which could deny to certain taxpayers, such as trade associations, the choice of deferring payment of taxes on money they receive currently for services of the future. The ruling is appealable to the U.S. Supreme Court.

The American Automobile Association had asked the court to order the Government to refund some of what the association called excess taxes it had paid in 1952 and 1953. The association counsel stated its accounting under the deferral method effected a new calculation of taxes for the two years, that this calculation showed its income clearly and was legal. (Under the law a taxpayer may use whichever accounting method it prefers, provided it clearly shows his income.)

The IRS ruled that the AAA accounting method did not qualify, and the Court of Claims upheld that ruling.

### Trustee Must Report

The trustee must file fiduciary returns reporting the income, the Internal Revenue Service ruled in a case involving property held in trust while the father lived, and to go to his children at his death. They were still minors when he died but, while legal title passed to the children, another provision of the trust authorized the trustee to invest the principal and pay only the income to the children. *Rev. Rul.* 59-154.

### Liability of Farmer

A minor, injured by the power motor of a farmer who had hired him to mow the lawn, was awarded $2,000 judgment, and the award was affirmed on appeal. The farmer had warned him to keep feet and hands away from the blades. When a cap vibrated off the gas tank and the boy let go to pick up the cap, the machine jumped forward and cut several of his fingers. The lad sued, claiming negligence because the farmer had not warned him the mower had a tendency to creep or jump on uneven ground. *Wilson* vs. *White* (Missouri 1954) 272 S.W. 2d. 1.

## LESTER E. LANG

BEGUN ON P. 11

At the same time the producer protects his overall credit policy by retaining title to the inventory, with actual physical control resting with Haslett as the third party.

In practical effect, both the producer and the aggressive jobber are able to reap all the benefits of more sales through complete stocks. Thus the jobber maintains a stable working capital position and the producer eliminates credit risk.

This plan has been particularly effective in our case. Lang Metal Service Company had built a success record through the years as a processor of all sorts of metals and so was in an ideal position to become an outstanding jobber, if large enough stocks could be made available.

Thanks to the initiative of our company and the producer, plus the practical protection of Haslett secured credit, the expansion is now an accomplished fact.

## B. F. EDWARDS, JR.

BEGUN ON P. 8

pledged acceptable field warehouse receipts are now routine occurrences. Not only is it done, but in a manner with sufficient flexibility that the borrower carries on his business well financed to take advantage of his discounts and with a minimum of inconvenience. At the same time suppliers are able to sell in quantity to many prospects whose finances would not otherwise justify, with the knowledge that funds will be forthcoming to meet billings. Thus the use of the field warehouse receipt creates much added and sound business for the supplier, the customer and the bank, not to mention the resultant products for the benefit of the eventual consumer.

***Commercial Prospects Recommended***

Within the past few years the bankers have no longer found themselves alone in recommending the use of field warehouse receipts. More and more commercial credit executives and accountants are recommending prospects to field warehousing companies. What is back of this development? Well, your banker is not overly anxious to lend against receipts on items in which one finds a planned obsolescence (generally durable goods where models are changed frequently in order to attract buyer interest). Nor does he reach for security in the form of items of a highly specialized nature or with a very limited market. In some instances the above objections are cured through repurchase agreements entered into by the supplier with the bank but the majority by far do not have this protection available. Your ingenious supplier has therefore devised a method of placing inventory within easy reach of his customer through the aid of field warehouse receipts. This is quite commonly known as "secured distribution" in the parlance of the warehouse company.

Although the supplier can speak more authoritatively on this subject it seems that one of two basic plans is followed when he deposits inventory in warehouse for the benefit and use of his customer. Under one arrangement the customer upon payment of a pre-determined percentage of purchase price receives legal title, with the supplier retaining an equity interest. The second plan finds the supplier depositing the inventory in warehouse for the benefit of his customer, retaining unto himself, however, the legal title.

Depending upon circumstances, nature of relationship between supplier and customer, and not overlooking the financial responsibility of the latter, either plan has great merit. One should not lose sight, however, of the fact that tax problems on interstate shipments must be thoroughly investigated and determined before making the decision as to which of the two plans should be adopted. Not only may taxes involve the warehouse receipt financing, but because of this plan even attach to any and all business being done in the particular state. Therefore it is extremely important that tax counsel on a case basis carefully review and decide the preferable plan to follow.

Because of the flexibility of field warehousing, innumerable businesses today receive bank help never before available. And now, through the advent of the "Secured Distribution," suppliers are virtually making consignments to customers, yet retaining title and a preferred position.

So, through the eyes of the banker, the supplier and, most importantly, the customer,

WHY NOT FIELD WAREHOUSING?

## RAY P. KETTL

BEGUN ON P. 9

one week for settlement on the first business day of the following week.

All invoices issued under this plan carry a due-for-payment date. If the final payment date specified occurs prior to the release of the products from the field warehouse, York will draft on the distributor at the distributor's bank for immediate payment of the unpaid balance, or at the request of the distributor try to arrange a mutually satisfactory workout of the balance.

**Although various finance plans are offered by York to its distributors, this program is not intended to replace the facilities offered by local banks and financing institutions and it is recommended that these facilities be employed wherever possible. Many distributors elect to finance their inventories through a local bank, but in many cases the bank will require that they use the facilities of a field warehouse company to collateralize their loans. In these cases York will aid the distributor in securing the services of the Lawrence Warehouse Company and, where necessary, will enter into a repurchase agreement with the bank. This agreement outlines the time element and the extent of York's liability.**

After the initial service fee, which appears on the face of all invoices issued under the finance plan, York pays for all costs of the field warehousing program until the final due-for-payment date. The exception is the warehouse manager's salary, which is handled directly between the distributor and Lawrence. As the warehouse manager is usually one of the distributor's former employees, no additional costs are incurred. In addition, while the products are in the field warehouse they are insured by York for 100 per cent of the distributor's cost for fire and extended coverages.

The use of a field warehousing program affords many

advantages to the manufacturer, not only from the credit man's standpoint, but to the benefit of the entire corporation. Some of these advantages are outlined below.

1. The first and most important advantage is the security afforded by warehouse receipts. The manufacturer is in a position to ship larger inventories to its distributors than would be possible if invoicing were handled strictly on an open account basis. It also enables making sales to accounts considered marginal risks from a financial point of view but having the other needed attributes.

2. The air conditioning industry is still considered seasonal by many. A program of this nature enables the manufacturer adequately to stock its distributors prior to the principal selling season. This enables leveling out of production, which in turn lowers costs and stabilizes employment.

3. As the distributor has an investment in the inventory, there is an indirect pressure to maximize the selling effort so that there is the proper inventory turn and maximum profit is realized.

4. As all releases must be accounted for, the manufacturer has knowledge at all times of the inventory on hand and can be sure that the proper balance is maintained.

5. The product is located near the market place and is thereby available to take full advantage of the peak season.

#### *Advantages to Distributor*

There are also advantages which profit the distributor.

1. Inventory requirements can be obtained at a minimum of cost, as the manufacturer pays for most of the charges until the final due date indicated on the invoice.

2. Pre-season buying enables the distributor to take advantage of any discounts offered, together with all the other sales programs.

3. A minimum of working capital is used, as only a small down-payment is required.

4. Because of the availability of the equipment and the ability to obtain a larger inventory, the distributor is better able to plan a more effective sales program.

5. As a result of better planning and more effective selling the maximum amount of profit can be realized from these efforts.

#### *Prudence in Administration*

It is well for the creditman to use prudence in the administration of this plan to avoid selling more than can be advantageously purchased by a distributor. It is conceivable that too heavy an inventory could have a detrimental effect on a distributor because he may not be in a position to pay for the equipment on the final due dates if not sold. The manufacturer in these cases may have to trans-ship or offer other relief. One of the most important factors to guard against is obsolescence of the product.

Another problem involved is that the release amount granted during a period in the peak season may be out of line and the distributor may not be able to meet the settlement required. In operating under a field warehousing plan, however, a credit manager has current and accurate information available. He knows the exact inventory position of his distributor at all times. Short seasonal extensions in the peak selling period are sometimes required, and accurate up-to-the-minute inventory records are a great help to the credit manager.

After approximately ten years experience it is the opinion of the York credit department as well as management that this type of financing has been a definite asset and has materially aided in the distribution of York products.

## ROBERT M. RALPH BEGUN ON P. 10

the Douglas-Guardian bonded representative. A warehouse tally is prepared, signed by the storer (distributor), pledging the equipment as collateral to his obligation to Carrier. The bonded representative signs the warehouse tally accepting the goods in the warehouse and forwards the signed tallies to the Douglas-Guardian district office covering his area. The Douglas-Guardian district office issues its non-negotiable warehouse receipt to Carrier.

**At the end of each month, Carrier prepares and sends a note to the distributor for signature in an amount equal to the total shipments made in the month under Douglas-Guardian terms.**

Up to this point, no open credit has been established with the distributor, and a completely secured inventory is evidenced in our file by shipment invoices, a note for the value of the shipments, a copy of the warehouse tally and the Douglas-Guardian warehouse receipt.

If the storer is required to present certified funds to the bonded representative as he wants to release equipment from the warehouse, the company has no exposure except at note maturity, when it is possible for a part of a shipment to be unreleased. However, the inventory control and analysis department reports issued weekly to field personnel continually keep them on the lookout for a particular unit not living up to an anticipated movement pattern, long before it becomes due for payment.

In actual practice, a releasing privilege (credit limit) is established at practically all warehouse locations and is controlled through the Douglas-Guardian bonded representative. This permits the storer to have equipment released and unpaid up to the releasing privilege. This is a constantly revolving limit as long as the payment terms on the releases are met. These are:

**(1) Equipment released from the 1st through the 15th of the month—payable the 10th of the following month.**

**(2) Equipment released from the 16th through the end of the month—payable the 25th of the following month.**

Equipment cannot be released in the face of past-due release or note maturity payments. Douglas-Guardian gives written, detailed instructions to each warehouse custodian explicitly outlining the releasing limit and his responsibilities. Carrier is not permitted to instruct a bonded representative directly on increasing or decreasing a releasing privilege. The route is always through the Douglas-Guardian district office handling the account, and this is complied with to the letter to define clearly the area's responsibility.

If there is a violation of instructions to Douglas-Guardian, it becomes their responsibility. Added protection is afforded Carrier by Douglas-Guardian carrying a substantial legal liability and indemnity policy to protect the company's interests.

Douglas-Guardian also provides Carrier with a copy

of a detailed audit report at each warehouse location. These audits are made every 30 to 45 days by the Douglas-Guardian district offices and are tied into the open releases and due dates against the releasing privilege. The audit also requires checking of the storer's weekly report to Carrier's inventory control and analysis department. Finally, cross-auditors from the Douglas-Guardian home office in New Orleans are continually spot-checking their district office audits, and copies are submitted to Carrier's credit department.

The warehousing program was further expanded to offer inventory financing to the dealers operating under distributors.

The distributor can authorize shipments direct from Carrier to the dealer's warehouse location or he can make up shipments from his own warehouse inventory or wholly-owned equipment.

**The procedure with the dealer is the same as that stated in the foregoing for the distributor except for the following:**

**1. The releasing privilege is authorized by the distributor.**

**2. The distributor prepares and secures the signed notes from the dealer and sends them to Carrier.**

The paperwork has been constantly reviewed, revised and simplified each time a new year's finance program has been issued.

It is realized the average distributor's or dealer's balance sheet has a distorted current ratio because of relatively high inventory with an offsetting current liability under notes payable. Distributors and dealers are encouraged to discuss the company programs fully with their local banks so that they completely understand them and do not penalize the accounts on the normal bank lines needed for other purposes.

The storer (distributor or dealer) has the advantage of an adequate inventory at all times for immediate delivery as well as the economies of carload shipments from the factory. It requires longer range forecasting on the part of the buyer and month by month comparisons of actual figures against his budget.

The fact that UED and its distribution have not been required to call on Douglas-Guardian Warehouse Corporation to make restitution on a single transaction in over nine years of warehouse receipt financing is evidence enough of the security in such a program.

## HENRY D. BUGG

BEGUN ON P. 11

field warehouses now in operation attest the general acceptance.

The old consignment program, the chattel mortgage, trust receipt, and factor's lien financing, with their inherent danger, have gradually been abandoned in favor of field warehousing. This choice has been hastened by credit experiences and court decisions.

**For example, a recent court decision in Pennsylvania gave a landlord's lien precedence over a chattel mortgage, with resulting loss to the mortgage holder. The consensus is that this loss could have been avoided had field warehousing been used. The inventory would not have been in the possession of the bankrupt if stored in a field warehouse and, therefore, not under the jurisdiction of the referee in bankruptcy.**

A distributor of appliances, freezers, and the like became bankrupt in a western state. Several supplier common creditors individually lost more than $50,000. Two suppliers emerged without loss because they held field warehouse receipts for the full amount of credit extended the bankrupt company.

Just recently, a construction business closed its doors due to lack of working capital and a heavy debt position. The eight principal creditors seemed unusually happy as their trucks arrived at the field warehouse to pick up their inventory, because each held the receipts of a leading field warehouse company.

### *Company Is Secured Creditor*

Today's credit manager not only can rely on the field warehouse company to carry out his release instructions, but he is also secure in knowing that his company will be a secured creditor if the distributor should become bankrupt.

Credit executives today are enjoying all the advantages of branch warehouse operation through field warehousing, without any of the disadvantages. All the inventory a distributor may need is in the field warehouse right on the distributor's premises, ready for immediate delivery.

**Most manufacturers arrange for title to pass to the distributor at time of shipment from factory, and for the distributor to pay all taxes, if any, on the inventory and to arrange proper fire coverage at his own expense, naming the manufacturer as the latter's interest may appear.**

In most instances, the distributor is only too willing to absorb the nominal fee of the field warehouse company which represents only a fractional per cent of sales and far less than bank interest.

From the sales side there is case history after case history of successful distributor field warehouse users covering many different industry fields but with identically-patterned results—increased dollar sales and larger profits—because of balanced, adequate inventories. Many of the country's largest manufacturers can now measure industry rating according to their distributor field warehouse coverage.

## HARRY R. KURTZ

BEGUN ON P. 10

limit is assigned primarily in accordance with sales goals, seasonal requirements and rate of turnover. The open release account accommodation is predicated on the usual credit and financial considerations for open account lines. It represents a separate and distinct credit line to enable distributors to move equipment out of the warehouse to their customers without making immediate payment.

Most secured inventory financing arrangements, among which the trust receipt is probably best known, include a strict provision for payment as goods leave the location. This is a handicap to distributors, in a growing business like ours, who must depend to a great extent on collections from their customers with which to pay their account with us. Consequently, the field warehouse agency is instructed to allow releases of equipment to the extent of the open-credit line granted to each distributor and to obtain payment in the next month for all shipments to their customers out of the field warehouse during the previous month.

*To illustrate the above:* Suppose a distributor has a

$50,000 open release line for deliveries from the warehouse. If during January he sells $20,000, that amount will be charged against this open line and will be payable in February. In the meantime, he can continue in February to withdraw against this open line, that is, an additional $30,000, with payment for February withdrawals scheduled in March.

The bookkeeping procedure is simple, although it encompasses a certain amount of detail. Original billing by the factory for merchandise purchased under the field warehouse plan is recorded on a warehouse account ledger. As each delivery is made from the distributor's field warehouse inventory, a credit is entered on the warehouse account ledger and a debit amount on the open release account. The basis for these entries is the delivery notice submitted by the field warehouse custodian. All this information is reproduced on punched cards so that statements can be run mechanically.

### *Provides against Excessive Ordering*

Included in the field warehouse plan is an "upset" provision. Each year, at the end of the selling season, all items remaining in the field warehouse inventory are to be paid for by the distributor. This provision and the down-payment requirement put a brake on any tendency by distributors to order in excessive amounts.

On the whole, our distributing organization has been extremely well pleased with the field warehouse plan and is taking advantage of it in increasing numbers. Our experience has proved it to be an effective credit and merchandising vehicle for our product lines and an arrangement exceptionally well suited to the needs of our industry. Since adopting the plan, our sales have been consistently on the upgrade, and instances of rejection for credit or financial reasons have been held to a minimum. I believe the ultimate tribute to the overall effectiveness of the field warehouse plan in our operation lies in the fact that it was originated in our credit section largely as a security device but is now published in our sales book as a featured marketing plan.

## BAILEY GORDON

BEGUN ON P. 9

Floor plans, consignments, chattel mortgages, conditional bills of sale, and trust receipts have all been experimented with as security devices. Experience has varied, but the fact which stands out most clearly in the use of any of these expedients is that the possession of the inventory sold or consigned remains in the hands of the buyer or consignee.

While he has no right to dispose of such inventory, except under his agreement, he has the opportunity to do so, as he has ready access to the goods. And, if he breaches his trust and improperly disposes of the goods, the seller as consignor may find himself an unsecured creditor in a hopeless bankruptcy proceeding.

The creditman can protect his position, can satisfy the sales department, and place the risk of disappearance on a responsible independent third party at small cost in light of the additional protection afforded. Field warehousing permits the orderly distribution of commodities with security. This well-tested arrangement solves many problems in which the creditman, as well as his sales department, is vitally interested. It enables him to

**1. Ship merchandise in quantities sufficient to meet his customer's needs without fear that the goods will disappear before payment is received;**
**2. Have a daily check on how the merchandise is moving —whether the customer needs additional quantities;**
**3. Know whether the customer is over-supplied and whether the goods should be moved to a more active outlet;**
**4. Fill large orders promptly from dealer's stocks at distant locations;**
**5. Stimulate sales by increasing credit lines to deserving customers;**
**6. Relax in the event the customer becomes insolvent or goes into bankruptcy.**

Now, how about the advantages of field warehousing to the creditman's customers? It enables them to

**1. Have the use of additional working capital for normal business needs;**
**2. Purchase in substantial quantities at reduced cost;**
**3. Take advantage of cash discounts for prompt payment;**
**4. Have available a complete line of inventory to meet consumer demand at all times without delay, especially during seasonal peaks;**
**5. Expand sales volume and territory, knowing consumer requirements can be met;**
**6. Purchase in carload lots as against the higher cost of L.C.L. shipments;**
**7. Enhance their credit standing by meeting their obligations promptly as a result of adequate financial support.**

This plan for securing the distribution of goods, in use now by many of the country's largest suppliers, is simple in operation and legally sound. It permits merchandise in quantities adequate to satisfy a customer's requirements to be consigned to a reliable and responsible field warehouse company at the location where the customer normally stores his inventory. The goods are then stored in a segregated and securely locked area under the control of the field warehouse company. The goods are at all times available for immediate delivery to the customer on payment at the warehouse or under such other terms as the creditman may stipulate.

### *Repurchase Agreements*

The most satisfactory arrangement for all concerned certainly is for the customer to obtain a loan from his bank against the security of field warehouse receipts covering the inventory shipped. Generally the banks will accept only staple and readily marketable goods that can be easily disposed of. If the goods are not readily marketable and if the local bank is in the first instance reluctant to make the loan, the supplier may solve that problem by giving the bank a repurchase agreement, agreeing to repurchase the merchandise at a specified price within a specified time in the event the bank is compelled to realize upon its security.

Under this plan the suppliers hold the warehouse receipts themselves. If an agreed percentage of the purchase price is paid by the customer at the time of delivery (and some suppliers require no down-payment), legal title to the goods can be allowed to pass to the customer; the supplier retains the equitable title as the holder of the warehouse receipts and then receives payment of the balance of the purchase price as the item of inventory

is released. If the balance of the purchase price is not paid, the supplier may make demand upon the field warehouse company and be entitled to such delivery as provided by law.

Other suppliers, on the other hand, prefer to retain legal title on the shipment of goods to the field warehouse company. The customer may pay the freight charges and the warehousing costs but will be under no obligation to pay for the merchandise except as it is delivered to him from the field warehouse. In the event of bankruptcy, the goods in the possession and control of the field warehouseman are not subject to the jurisdiction of the bankruptcy court, as the customer had no right, title, or interest in them and the goods may be freely and promptly transferred to other consumer outlets.

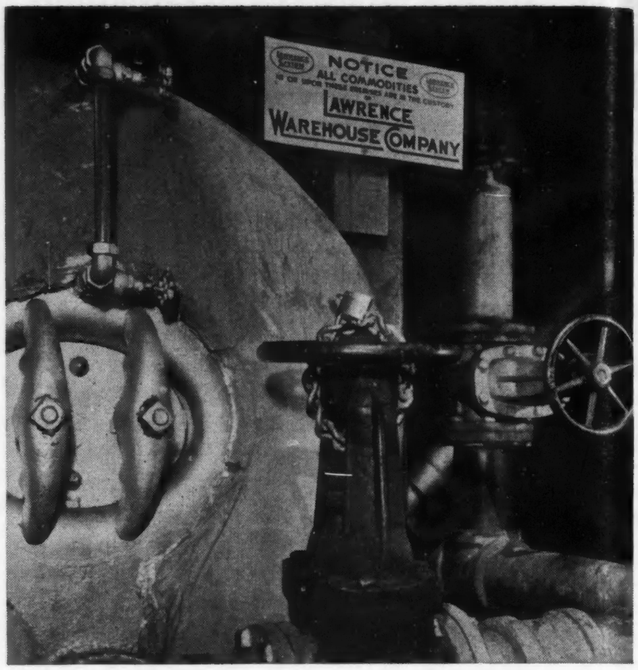
### *Interstate Shipments*

Creditmen have often raised the question whether a supplier corporation might be considered to be doing business in states in which it is not qualified if goods were to be shipped to warehouses established by a field warehouseman—on the premises of the supplier's customers in such states—with legal title to the goods retained by the supplier. Briefly explained, a few isolated sales to the customer from the warehouse would probably not subject the supplier to a charge of doing business without proper authorization, but, if sales were continuous, it is unlikely that the supplier could plead immunity and he might also be subject to local taxes, if any, on the goods stored. In many cases suppliers have avoided these difficulties by passing legal title in the state where the supplier is located to the goods to be forwarded to the customer, even though no payment has been made for the goods. The goods are shipped to the customer in care of the warehouseman and deposited in the leased warehouse area on the customer's premises. In this manner, the goods never come into the possession or control of the customer until they are released in accordance with terms stipulated by the supplier. The supplier, therefore, would avoid the possibility of being charged with doing business in the state and would avoid the possibility of having to pay local taxes on the goods.

Warehouse receipts would be issued by the field warehouse company to the supplier, who would retain a security interest in or equitable title to such goods and be entitled to possession thereof in the event of default by the customer. Oftentimes, in situations of this nature, the supplier has a specific agreement with his customer that the supplier's seller's lien shall continue while the goods remain stored in the field warehouseman's leased area and until such time as the goods are paid for and delivery is effected to the customer.

Field warehousing provides for the creditmen the most satisfactory and effectual credit device available. It is the only practical method of assuring that goods shipped to a customer's place of business will be intact and on hand to meet the customer's obligation in the event the customer becomes involved in financial difficulties.

American Express Field Warehousing Corporation carries extensive legal liability insurance protecting against inability to deliver the goods on demand. It also carries extensive fidelity bond coverage insuring against fraud or dishonesty on the part of its employees.




***FIELD WAREHOUSING in action. Detail of bulk tank storage operation, showing Lawrence Warehouse Company lock securing main valve, and sign denoting Lawrence area.***

## *Participating in Symposium*

Henry D. Bugg, vice president in charge of sales and operations of St. Louis Terminal Field Warehouse Company, is on the banking relations committee of the American Warehousemen's Association. He is a member of the Sales Executives Association and the St. Louis Association of Credit Management.

B. F. Edwards, Jr., began his business career 46 years ago with what is now a branch of Bank of America NT&SA. He was appointed vice president in 1931 as a loan executive, and is now also a member of the committees on general finance, premises, senior salary and status, training, the committee on bidding and pricing, and the management forum. He is president of NACM's Credit Research Foundation, past president Credit Managers Association of Northern and Central California.

Bailey Gordon, assistant vice president of American Express Field Warehousing Corporation, is in charge of the corporation's Pittsburgh District operations. He is active in The Credit Association of Western Pennsylvania.

Ray P. Kettl has been associated with York Corporation, now a division of Borg-Warner Corporation, since his graduation in 1947 from the Wharton school of finance and commerce, University of Pennsylvania. He was regional credit manager in the Philadelphia office five years before being transferred to York, Pa., and is now general credit manager.

Harry R. Kurtz, following graduation from Brown University, and New York University graduate school (accounting, 1936), trained in instalment finance with General Electric Credit Corporation. In 1955 he transferred to the air conditioning department and is manager of credit and collections, with offices at the new plant in Tyler, Texas.

Lester E. Lang, owner and manager of Lang Metal Service Company, Glendale, Calif., is a member of the Credit Managers Association of Southern California.

Robert M. Ralph, assistant to general manager, Unitary Equipment Division, Carrier Corporation, Syracuse, N. Y., began in 1933 as a messenger for Syracuse Trust Company (since merged with Marine Midland of Central New York). He became associated with Carrier Corporation as assistant credit manager. When the credit department was verticalized in 1955 he became divisional credit manager.

# Roster of N.A.C.M. Committee on Nominations

**Chairman: James H. Donovan, Jones & Laughlin Steel Corporation, Pittsburgh, Pa.**

**PRESIDENT'S CHOICES** | **COUNCILLORS' CHOICES**

### *CENTRAL DIVISION*

**President's Choices**

T. M. Sherman, Thompson Ramo Wooldridge, Inc., Cleveland, O.
P. J. Wilder, Century Electric Co., St. Louis, Mo.

Alternates:
John Mueller, Carpenter Paper Co. Omaha, Neb.
Tyrus R. Stansberry, Manufacturers National Bank of Detroit, Detroit, Mich.

**Councillors' Choices**

E. J. Ball, White-Rodgers Co., St. Louis, Mo.
Earl Schultz, Rath Packing Co., Waterloo, Ia.

Alternates:
Milton H. Anderson, Graybar Electric Co., Cincinnati, O.
Garland Holeman, Sidles Co., Omaha, Neb.

### *EASTERN DIVISION*

**President's Choices**

Wm. R. Dunn, General Foods Corp. White Plains, N. Y.
Albert Pauly, Samuel Cabot, Inc., Boston, Mass.

Alternates:
J. C. Cambria, Mail Pouch Tobacco Co., Wheeling, West Virginia
F. C. Rimmele, Benedict-Miller, Inc., Lyndhurst, New Jersey

**Councillors' Choices**

John A. Eiseman, The First Pennsylvania Banking & Trust Co., Philadelphia, Pa.
Geo. E. Phalen, Jr., The First National Bank of Boston, Boston, Mass.

Alternates:
Hugh McCormick, McCormick & Co., Inc., Baltimore, Md.
Jack M. Parrish, Jr., Concrete Pipe & Products Co., Inc., Richmond, Va.

### *SOUTHERN DIVISION*

**President's Choices**

Virgil D. Jones, First National Bank, Atlanta, Ga.
R. G. Sneed, Jr., First City National Bank, Houston, Tex.

Alternates:
Ted B. Hendrick, Collins-Dietz-Morris Co., Oklahoma City, Okla.
Harry Krebs, Graybar Electric Supply Co., Tampa, Fla.

**Councillors' Choices**

Chris Kramer, Capitol Steel & Iron Co., Oklahoma City, Okla.
Glen Schiller, Friedrich Refrigerators, Inc., San Antonio, Tex.

Alternates:
Robert H. Dawson, Washington Manufacturing Co., Nashville, Tenn.
Sam C. Scruggs, Jr., Carrier-Bock Co., Dallas, Texas

### *WESTERN DIVISION*

**President's Choices**

Fred H. Jones, Kaiser Steel Corp., Oakland, Cal.
M. F. Miller, Foremost-Golden States Dairies, Los Angeles, Cal.

Alternates:
J. Jacobson, Standard Oil Company of Cal., San Francisco, Cal.
C. B. Rockstad, Packer-Scott Co. of Oregon, Inc., Portland, Oregon

**Councillors' Choices**

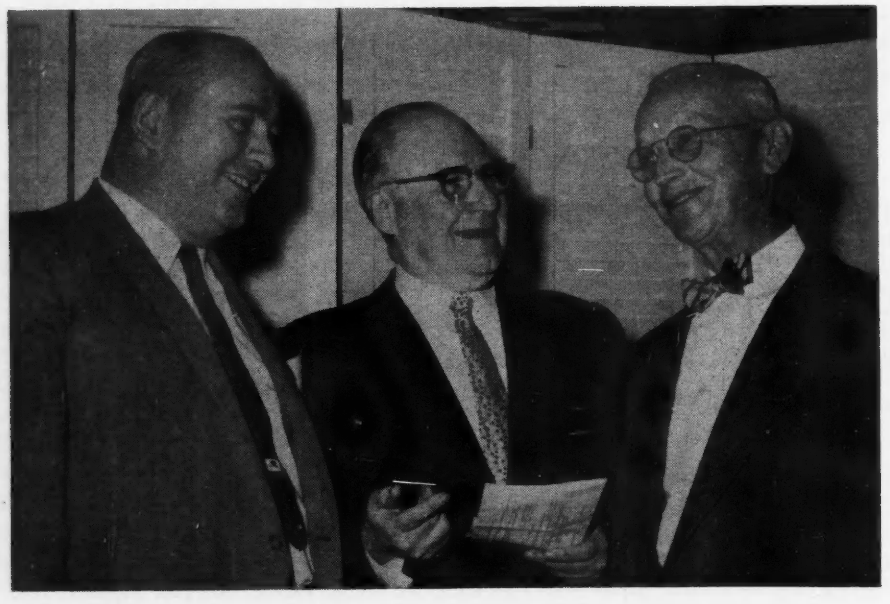
Raymond C. Erickson, Denver U.S. National Bank, Denver, Col.
Norvel V. Jones, E. J. Stanton & Son, Inc., Los Angeles

Alternates:
E. W. Pogue, Hyster Co., Portland, Oregon
George Spillane, Beatrice Foods Co., Denver, Col.

### And THE FOLLOWING N.A.C.M. PAST PRESIDENTS

J. Allen Walker, Standard Oil Co. of California, San Francisco, Cal.
Irwin Stumborg, Baldwin Piano Company, Cincinnati, Ohio
Paul J. Viall, Chattanooga Medicine Co., Chattanooga, Tenn.
C. Herbert Bradshaw, Bausch & Lomb Optical Co., Rochester, N. Y.


EDITORS project business Now into business Future, at Annual Financial Editors Merry-Go-Round Forum of The Chicago-Midwest Credit Management Association, with 400 in attendance. L to R: F. W. Burnham, The Northern Trust Co., meetings chairman; W. R. Clabby, The Wall Street Journal; E. A. Kandlik, Chicago Daily News; David Dillman, Inland Steel Co., moderator; W. N. Clark, Tribune; Alan Sturdy, Commerce Magazine of Chicago Association of Commerce and Industry; and Edwin Darby, Sun Times.



*THE YEAR'S CHALLENGES to credit management were discussed by Edwin B. Moran, executive vice president National Association of Credit Management, at the annual luncheon meeting in Philadelphia sponsored by The Credit Men's Association of Eastern Pennsylvania. L to R: James W. Sattazahn, credit manager Scott Paper Co., the association's president; Mr. Moran; and Dean Harry A. Cochran of the school of business and public administration, Temple University.*

*FIVE OHIOANS who earned the Associate Award, National Institute of Credit, following completion of courses given at Sinclair College in cooperation with the Dayton Association of Credit Men, are presented certificates by Edwin L. Covey (below, right), chief, Division of Bankruptcy, Administrative Office of the United States Courts, Washington. The recipients (l to r): Floyd Stoner, collection manager Credit Bureau of Dayton; Paul L. Staley, credit manager Aerovent Fan Co., Piqua; James Pippenger, Jr., assistant treasurer, F. A. Requarth Co., Dayton; Carl H. Mirre and John J. Robinson of credit department Dayton Power & Light Co.*

SETTING a mark of having ten winners of the Fellow Award in the National Institute of Credit, Chicago-Midwest Credit Management Association at a member meeting presented the certificates to the following: Left to right: Frank A. Zak, Danly Machine Specialties, Inc.; Robert L. Tose, New Holland Machine Co.; Dougald P. Thompson, Goodman Manufacturing Co.; George W. Swanson, Fansteel Metallurgical Corp.; Gilbert J. Rynberk, Jr., Robert A. Black, Inc.; William G. Lampe, credit manager, Abbott Laboratories, chairman committee on education, Chicago-Midwest association; Kenneth C. Johnson, Universal Atlas Cement, Division of United States Steel Corp.; Lincoln F. Bradley, Ditto, Inc.; Clifford O. Dillie, Fiddes-Moore & Co.; Charles W. Butler, Lever Bros. David M. Krafft, of The Meyercord Co., also received the award but was absented by illness.

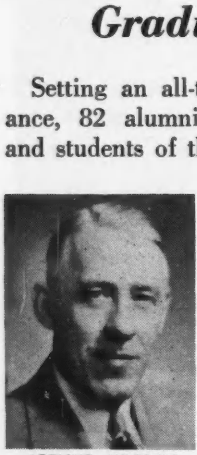
*A ROYAL WELCOME to the Dayton association's new Herd, Royal Order of Zebras, was given with formal presentation of the charter by John G. dePass, Grand Exalted Superzeb, and Paul Taggart, Grand Zebratary, both of Pittsburgh. Officers of the Dayton Herd include (l to r): Jake Coffman, credit manager Gem City Planing Mills Lumber Co., Exalted Superzeb; J. Sidney McKee, assistant credit manager Borden Company Milk Division, Most Noble Zeb; James Pippenger, assistant treasurer of The F. A. Requarth Co., Royal Striper; and D. L. Aurand, Secretary of the Dayton Association of Credit Men, as Zebratary. Not in picture: Herb Zechar, owner of Herbco, Inc., Keeper of the Zoo, who had to leave early to teach a credit class at Sinclair College.*

*HONORS. Plaque awarded by NACM to the Credit Managers Association of Erie for top membership gain in Class F was presented to Guido J. Gianoni (left), of A. Duchini Blocks, president of the Erie affiliate, by Eugene C. Drake, of Boyd & Schaefer, Inc., membership chairman. Looking on: Keith Gathers, of Erie Builders Supply.*

**SPEAKERS AND GUESTS** ***at the organization meeting of the New York Chapter of the Graduate School Alumni Association NACM: (front row) Prof. James F. Clyne, director of management study reports for Dartmouth College; Dr. Arthur Upgren, principal speaker, and William G. Sharwell, faculty member at Dartmouth session. Standing are Wm. P. Layton, executive director of NACM school; Mortimer J. Davis, executive vice president New York Credit and Financial Management Association, Edwin B. Moran, executive vice president NACM, and Barrett R. Tanner, secretary New York association.***

# *Inflation Ebbing, Arthur Upgren Tells Graduate School's New York Alumni*

Setting an all-time record attendance, 82 alumni, faculty members and students of the Graduate School of Credit and Financial Management, National Association of Credit Management, heard guest speaker Arthur R. Upgren discuss inflation and the economy at a luncheon meeting in New York's Advertising Club. Dr. Upgren teaches at the Dartmouth Graduate School and is professor of economics and director of bureau of economic studies, Macalester College, St. Paul, Minn.



ARTHUR UPGREN

"There is good reason to believe we are bringing inflation under adequate control," the economist declared. Dr. Upgren pointed out that in the eight years from 1940 to 1948, the consumer price index had advanced at an average yearly rate of 9.4 per cent. In the Korean War years of 1949 to 1952, the annual rate was 4 per cent, and in the eight-year stretch from 1952 to 1960 it averaged 1.25 per cent. Since mid-1958, consumer prices have been rising even more slowly, not exceeding an annual rate of one per cent.

"Thus in the two defined periods, 1948-52 and 1952-60," Dr. Upgren summarized, "we cut the rate of inflation by 60 per cent successively for each period."

The analyst sees the key cause of this success in one factor: liquidity. Bank liquidity (the ratio of all cash assets and U.S. securities to total deposits) increased from the 23 per cent ratio of 1929, which heralded the crash, to 83 per cent at the end of 1945. By 1955 the liquidity ratio of all commercial banks fell to 55 per cent, by last year-end to an estimated 45 per cent.

Continuation of this rate of reduction, Dr. Upgren believes, "could bring the ratio down to the level of 1929 and do so before the end of the 1960's. Then great strain on the banking system could develop."

Among the luncheon guests, besides Edwin B. Moran, executive vice president NACM, were Mortimer J. Davis, executive vice president, and Barrett R. Tanner, secretary, both of the New York Credit and Financial Management Association; Professor James F. Clyne, director of management study reports at Dartmouth; Raymond Rodgers, professor of banking at New York University's graduate school of business administration; and William Sharwell, director of college employment, American Telephone & Telegraph Company.

The first slate of officers for the New York chapter of the alumni association, reported by Charles F. Bound, vice president of the Morgan Guaranty Trust Company of New York and chairman of the nominating committee, was unanimously elected. The new officers are: president, John F. Bertelsen, assistant general credit manager, Union Carbide Corporation; vice president, David W. Lewis, assistant vice president, Guaranty Trust Company; secretary-treasurer, Lloyd Sinnickson, credit manager, American Cyanamid Company.

Four directors were elected to complete the board: C. Houghton Birdsall, Jr., assistant vice president, Chemical Bank New York Trust Company; Percy C. Hunt, division credit manager, Cannon Mills; George E. Gaba, general credit manager, J. P. Stevens & Company; and Robert M. Gardineer, staff assistant to the credit manager, Continental Can Company.

Speaking for the newly elected president, who was unable to attend, Vice President Lewis said that the purposes of the new organization are fundamentally (1) to take an active interest in the welfare, further development, and growth of the Graduate School; (2) to promote the introduction of *qualified* students to the Graduate School student body; and (3) to provide a means for graduates of the Graduate School to continue personal and business relationships.

## W. H. Montgomery Dies; Headed Petroleum Association in '59

William H. Montgomery, general credit manager of The Pure Oil Company, Chicago, died at Evanston (Ill.) hospital after a brief illness.

President of the American Petroleum Credit Association last year, Mr. Montgomery had given many years of service to the credit profession and to development of the National Association of Credit Management. He was chairman of a joint luncheon of Industry Groups at the Credit Congress in Dallas, and at a plenary session presented the two APCA Awards to the outstanding members of the Class of 1958, NACM Graduate School, Dartmouth and Stanford.

## *R. C. Steele in Finance Post At New York Herald Tribune*

Richard C. Steele has been named vice president in charge of finance, New York *Herald Tribune*, New York City. The 42-year old executive, a native of Massachusetts, formerly was associate publisher of the Worcester (Mass.) *Telegram & Gazette*, with which he began in 1943 as controller. Earlier he had been in public accounting and auditing work. From 1940-43 he was treasurer of Gow Management Trust, Boston.

R. C. STEELE

Mr. Steele is chairman of the committee on taxation of the American Newspaper Publishers Association.

## R. W. Hake Heads National Food Equipment Mfrs. Group

Roy W. Hake, secretary and credit manager, The Duke Manufacturing Company, St. Louis, has been appointed chairman of the National Food Equipment Manufacturers Credit Group, National Association of Credit Management.

R. W. HAKE

Mr. Hake has represented his company as a charter member of the Group for the last eight years. Prior to the chairmanship he had served on its executive committee for three years.

Mr. Hake began with Duke Manufacturing in 1948 following three years in public accounting.

## Percy West Named Chairman New York Institute of Credit

Percy West, First National City Bank, retired, has been elected chairman of the board of trustees of the New York Institute of Credit. He succeeds David E. Golieb, J. A. Deknatel & Son, now chairman emeritus. Rolliston G. Woodbury, Textile Banking Co., was named co-chairman, Mr. West's former post. Gerald D. Stone, S. D. Leidesdorf & Co., was re-elected secretary.

**JAMES H. DONOVAN,** ***assistant treasurer of Jones & Laughlin Steel Corporation, Pittsburgh, and immediate past president of the National Association of Credit Management, was guest speaker at a joint meeting of The Sales Executives Club of Cleveland and The Cleveland Association of Credit Management. Right to left: Russell H. Eichman, vice president Central National Bank of Cleveland, president Sales Executives Club; Mr. Donovan; Arthur N. Ardizon, advertising manager* Press-News, *vice president of the sales executives.***

## Seattle's Unit of Zebras Was Operating before '28 Congress

The Royal Order of Zebras was conceived in Seattle in early 1928 and the Seattle unit was in full operation before the National Association of Credit Management convened there in June of that year, writes E. V. Grisvard, manager, adjustment department, Seattle Association of Credit Men, commenting on the article on the Zebras' Silver Anniversary in the CFM March issue.

Following are Mr. Grisvard's interesting observations on the early days of the Zebras.

"It so happens that the writer was employed to organize the Association Collectors, Inc., which is the collection subsidiary of the Seattle Association of Credit Men, in July, 1927. At that time, and for many years prior, the Seattle Association of Credit Men was a non-incorporated membership association and was not connected with the Seattle Merchants Association which operated the Adjustment Bureau and the Interchange Bureau.

"In the early spring of 1928, when plans were in full swing preparatory to the National Convention which was to be held in Seattle in June, 1928, the idea of the Royal Order of Zebras was conceived by Mr. John A. Bennett, then secretary of the Seattle Association of Credit Men and one of the finest gentlemen it has ever been my pleasure to know. A committee was formed and in short order a ritual was prepared and the Royal Order of Zebras became an organization.

"The Seattle Chapter was the first chapter organized and was in full swing before the time set for the National Convention. The writer was one of the original members.

"The major portion of entertainment for the delegates at the 1928 Convention was a mid-week trip to Victoria, B.C. by a chartered vessel. Following our return to Seattle at about 11 P.M., we charter members of the Zebras convened at one of the dining rooms in the Olympic hotel, where we proceeded to put on an initiation of many deserving tenderfeet from our own city and other cities. One of the highlights of that occasion was the initiation of the late J. Harry Tregoe, formerly secretary of the National Association of Credit Management."

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*Time might be a great healer, but it's a lousy beautician.*

—N. A. Rombe

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## CALENDAR OF EVENTS IMPORTANT TO CREDIT

ST. LOUIS, MISSOURI
*May 12-14*
Annual Meeting of the NACM Affiliate Local Association Secretary-Managers

ST. LOUIS, MISSOURI
*May 15-19*
64th Annual Credit Congress

WETHERSFIELD, CONNECTICUT
*June 14*
Connecticut State Association Credit Conference

SAN ANTONIO, TEXAS
*September 15-17*
Annual Southwest Credit Conference, including Texas, Arizona, Arkansas, Louisiana, New Mexico and Oklahoma

FORT WAYNE, INDIANA
*September 22-23*
Great Lakes Regional Credit Conference, including Illinois, Indiana, Michigan and Wisconsin

ST. PAUL, MINNESOTA
*September 23-24*
North Central Credit Conference including Minnesota, North Dakota, Manitoba

DENVER, COLORADO
*September 25-28*
46th Annual Fall Conference of Robert Morris Associates

NEW YORK, NEW YORK
*September 29-30*
New York Credit Management Workshop

NEW YORK, NEW YORK
*October 9-12*
36th Annual Conference of American Petroleum Credit Association

LOUISVILLE, KENTUCKY
*October 14-16*
Twentieth Annual Midwest Credit Women's Conference

PHOENIX, ARIZONA
*October 17-19*
Annual meeting of the Secretary-Managers of the local associations of the Western Division

DES MOINES, IOWA
*October 19-21*
Tri-State Credit Conference, representing Iowa, Nebraska and South Dakota

SAN DIEGO, CALIFORNIA
*October 20-21*
Pacific Southwest Credit Conference, including California, Arizona, Utah, Colorado, Nevada

BALTIMORE, MARYLAND
*October 20-22*
NACM Eastern Division Credit Conference

CINCINNATI, OHIO
*October 27-28*
Ohio Valley Regional Credit Conference, including Ohio, Western Pennsylvania, West Virginia, Kentucky and Eastern Michigan.

### Predicts 110,000 Bankruptcies, Would Hire 9 More Referees

Predicting a new high mark of 110,000 bankruptcies in the fiscal year beginning July 1st Edwin L. Covey, chief of the Bankruptcy Division, Administrative Office of the United States Courts, told a House appropriations subcommittee that his office would need $5,630,000 to pay referees' salaries and expenses in fiscal 1961. The $623,500 over the appropriation for the current fiscal year would provide for engaging nine additional referees and 60 more clerks.

### Hillebrand Exalted Superzeb Of New Orleans Zebra Herd

John L. Hillebrand, office manager of Klarer-Dixie, Inc., is now Exalted Superzeb of the New Orleans Herd, Royal Order of Zebras.


J. L. HILLEBRAND

Other new officers of the unit are:

Karl F. Weikert, credit manager of Air Temp Division, Chrysler Corporation, Most Noble Zeb; Elliott Smith, controller Moore Steel, Inc., Royal Striper; Fillmore J. Delaup, credit manager Jones & Laughlin Steel Corporation, Keeper of the Zoo; Edmund G. Vaz, credit manager Wm. B. Reily & Company, 3-Horse Power Burro; and J. Bowling Charles, assistant manager of the New Orleans Credit Men's Association, Zebratary.

### 40 at Graduate School Dinner In San Francisco Hear Moran

Opportunities following completion of the courses of the Graduate School of Credit and Financial Management, and conditions in today's economy which call for well-qualified and well-trained executives, were spelled out by Edwin B. Moran, NACM executive vice president, at the annual Graduate School dinner in San Francisco.

Forty alumni and currently registered students attended, with Ralph M. Weinrichter of California Packing Corporation presiding. Mr. Weinrichter is chairman of the Bay Area Group.

Dan Avila, of Lucky Lager Brewing Company, speaking for the local Graduate School committee, emphasized the responsibility of the alumni to participate in recruiting students for the years ahead.

Fellowship with members from distant points was renewed at a pre-dinner "warm-up" gathering.

***A good rule for going through life is to keep the heart a little softer than the head.***
**—Changing Times**

**THE THIRTY YEARS of Ralph C. Creviston's service as secretary-manager of the Northern Wisconsin-Michigan unit of the National Association of Credit Management occasioned special kudos from the board of directors of the affiliate. Left to right: F. E. Gajafsky, The Larsen Co., Green Bay, associate president; Mr. Creviston; Mark Goedjen, Green Bay Box Co., vice president; and G. F. Costello, Brillion Iron Works, Brillion, Wis., councilor.**

**Mr. Creviston, who became secretary-manager Jan. 15, 1930, was a member of NACM's first credit methods and practices committee; on the Credit Interchange board of governors 1949-52; national chairman of the Secretarial Council 1958-59. He was active in the campaign for par clearance of checks in Wisconsin, which became effective in 1949.**

## Philadelphia Unit Committee on "Principles" Makes Progress

THREE years ago "a new committee with a formidable name was created by the Credit Men's Association of Eastern Pennsylvania. This committee is called BANK-COMMERCIAL CREDIT INFORMATION EXCHANGE COMMITTEE and it has two basic functions: education and correction. In spite of its weighty title, it soon got off the ground and became very active in connection with its educational program. The committee concentrated on giving publicity to the 'Statement of Principles' which had been jointly adopted in 1955 by Robert Morris Associates and National Association of Credit Management. It has supplied each of its local association members with a printed copy of the Statement together with a copy of an article dealing with the history and the formation of the Committee.

"The committee was for two years under the chairmanship of J. Howell Staley, whom the undersigned succeeded this year.

"It was instrumental in having articles dealing with the Statement appear in several local publications and it also arranged for the inclusion of a discussion of the Statement in the local course of study sponsored by the National Institute of Credit. It prepared and supplied the local association members with a 'check list', consisting of a condensation of the important points of the Statement for use as a handy reference when sending out inquiries.

"In its function of correction the committee established itself as a source for referral for complaints of violations of the Statement in connection with which it took action to prevent or minimize further breaches of proper credit ethics.

"The reaction of the membership of Credit Men's Association of Eastern Pennsylvania has been most favorable.

"It is heartily recommended that similar educational programs be tried by any other chapters which have not already done so, and the local committee will welcome any suggestions for improvement or inquiries concerning its activities."

EDWARD G. BEATTY
*Assistant Cashier, The Philadelphia National Bank, Philadelphia, Pa., Chairman, Bank-Commercial Credit Information Exchange Committee, Credit Men's Association of Eastern Pennsylvania.*

# Personnel Mart

### ASSISTANT CREDIT MANAGER

Manufacturing company has opening for well qualified experienced credit and finance manager. Must have strong background in wholesale credit, time payment financing and accounting. Past experience should include dealer contacts and field work. Substantial growth potential in an expanding industry for qualified individual. Write CFM Box #498.

### Assistant to Comptroller

Major manufacturer, Kansas City, Missouri, has opportunity for a qualified assistant to comptroller. Company is well established, a multiplant operation. Desire college graduate with accounting major. Age preference between 30 and 40. Factory cost accounting and Tax accounting essential. Position offers opportunity for growth from good initial position and salary. A career opportunity with good benefits. Qualified interested men are requested to reply. CFM Box #499.

### Credit Manager Available

CREDIT & COLLECTION MANAGER, 34, M.A. Economics. Five years' experience. Extended $35,000,000 worth of credits and lost only $35,000 with hardware mfg., importer, maximizing sales and minimizing losses. Salary $7800. CFM Box #497.

### Credit and Office Manager

Twelve years experience management credits and collections domestic and export activity. Managed complete office operations, staffs varying 30-100 people. Familiar machine accounting, procedures, personnel, purchasing, sales correspondence. Age 36. B.A. and M.A. Economics. Opportunity chief objective. CFM Box #500.

***A woman is getting older when she is more concerned about how her shoes fit than her sweater.***
**—The Indiana Agent**

# Reports from the Field

San Francisco, Calif.—William L. Holmes, assistant treasurer, Schlumberger Well Surveying Corp., Houston, president National Association of Credit Management, discussed "Credit Today" at the annual membership meeting of the Credit Managers Association of Northern and Central California.

"People in Credit" brought Prof. Leonard Marks, Jr., before the National Institute of Credit assembly. Professor Marks is assistant dean, graduate school of business, Stanford University, and consulting associate NACM Credit Research Foundation.

Dayton, Ohio—"The Part Liability Insurance Plays in the Granting of Credit" was outlined by Wilson D. Sked, vice president Marsh & McLennan, Inc., Chicago, at the dinner meeting of the Dayton Association of Credit Men. Mr. Sked is treasurer Chicago-Midwest Association of Credit Management.

Boston, Mass.—Edwin B. Moran, executive vice president National Association of Credit Management, at the 63rd annual meeting of the New England Association of Credit Executives discussed "Managing Credit Profitably."

Nashville, Tenn.—Fred P. Entler, secretary-treasurer Charg-It Inc., Bristol, Va., was speaker at the meeting of the Nashville Association of Credit Men.

Cleveland, Ohio—James H. Donovan, assistant treasurer Jones & Laughlin Steel Corp., Pittsburgh, immediate past president NACM, addressed a joint meeting of the Sales Executives Club of Cleveland and the Cleveland Association of Credit Management. His talk was titled "Your Customers, Who Are They?"

The Canton Association of Credit Management, joined by the Canton Retail Group and the Canton Sales Executives Club, sponsored the meeting which heard KYW news commentator Warren Guthrie.

Chicago, Ill.—Philip J. Gray, secretary National Association of Credit Management and director of the foreign department, discussed "Credit the World Over" at the Rock River Valley meeting of the Chicago-Midwest Credit Management Association.

Full-day insurance workshop seminar again was held this year, with members of the Insurance Advisory Council serving as panel members.

Utica, N.Y.—David J. Goldstein, referee in bankruptcy, northern district of New York, furnished experienced-based observations on bankruptcy problems to members of the Central New York Association of Credit Men, at their regular meeting. Mr. Goldstein annually delivers a series of lectures on bankruptcy practices and procedures at Cornell law school.

Baltimore, Md.—Dr. James L. Hayes, dean of school of business administration, Duquesne University, Pittsburgh, and editor Catholic Business Education Review, addressed the Baltimore Association of Credit Men at their dinner meeting.

Des Moines, Iowa—The Bonded Contractors Group learned about procedures of the highway commission and filing claims and estimates from authorities E. T. Burk, special assistant, and Virgil Raymond, assistant auditor of the Iowa State Highway Commission.

Green Bay, Wis.—William J. Roth, second vice president Northern Trust Co., Chicago, presented pertinent views on credit management at the dinner meeting of the NACM Northern Wisconsin-Michigan unit, Two Rivers.

Pittsburgh, Pa.—"Special Payment Arrangements" was topic of John W. Nuffort, regional credit manager American Cyanamid Co., New York City, at Credo luncheon meeting of the Credit Association of Western Pennsylvania.

Charles A. Reid, Jr., C.P.C.U., C.L.U., president Wallace M. Reid Co., explained "Joint Ventures" for members at the following Credo meeting.

"State Tax Liabilities" was topic of Credo speaker Maurice W. Baruth, regional counsel, division of sales and use tax, State of Pennsylvania.

John P. Roche, president, Heppenstall Co., probed the "Size versus Efficiency" aspect of business, and "Changes in Article 9 of the Revised Uniform Commercial Code" was the subject of Richard R. Winters, assistant vice president, Pittsburgh National Bank, at earlier meetings.

Minneapolis, Minn.—"Human Relations" was the topic of Dr. Paul Schlipp of Northwestern University, Chicago, at the meeting of the Credit & Financial Management Association Minneapolis unit.

"Are Your Words Good Credit Risks?" was the question asked and answered by Clifford I. Haga of the University of Minnesota at a previous meeting.

Los Angeles, Calif.—Marine Suppliers Group meeting had as speaker Gustav Reidlin, vice president and manager, California Bank international division, who presented observations from his recent trip to the Philippines, Australia, New Zealand and Japan.

Providence, R.I.—"Challenges to the Accountant—Problems to the Credit Executive" was subject of dean Nelson J. Gulski, school of business administration and accountancy, Bryant College, at the meeting of the Rhode Island Association of Credit Men.

Grand Rapids, Mich.—"Economic Perspectives" was subject of Dr. John Vanden Berg, professor of economics Calvin College, and Grand Rapids city commissioner, at the luncheon meeting of the NACM (Western Michigan) Inc.

Syracuse, N.Y. — Workshop demonstration revolving around "Customer Counseling" featured the dinner meeting of the Syracuse Association of Credit Men. Panelists were Howard F. Shayler, sales manager Alling & Cory Co.; David P. Powers, sales executive Syracuse Supply Co.; Paul George, The Columbian Rope Co., and Eugene Walrath, John Deere Plow Co. William P. Layton, director of education, National Association of Credit Management, was moderator.

"Look Before You Lease," Frank Karn Griesinger suggested in his talk at an earlier gathering. Mr. Griesinger formerly was assistant treasurer of Lincoln Electric Co., Cleveland.

Dallas, Texas—Dr. Arthur A. Smith, vice president and economist First National Bank in Dallas, set out projections for the year at the luncheon meeting of the Dallas Association of Credit Management.

Dr. Trent Root, vice president and treasurer Southern Methodist University and former dean of div. of business administration, Texas Tech College, addressed a subsequent meeting of the association.